

**NATIONAL PROBLEMS, LOCAL SOLUTIONS:
FEDERALISM AT WORK
PART III
WELFARE REFORM IS WORKING: A REPORT
ON STATE AND LOCAL INITIATIVES**

HEARING
BEFORE THE
**COMMITTEE ON
GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES**
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

APRIL 22, 1999

Serial No. 106-18

Printed for the use of the Committee on Government Reform



Available via the World Wide Web: <http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

57-684 CC

WASHINGTON : 1999

COMMITTEE ON GOVERNMENT REFORM

DAN BURTON, Indiana, *Chairman*

BENJAMIN A. GILMAN, New York	HENRY A. WAXMAN, California
CONSTANCE A. MORELLA, Maryland	TOM LANTOS, California
CHRISTOPHER SHAYS, Connecticut	ROBERT E. WISE, JR., West Virginia
ILEANA ROS-LEHTINEN, Florida	MAJOR R. OWENS, New York
JOHN M. McHUGH, New York	EDOLPHUS TOWNS, New York
STEPHEN HORN, California	PAUL E. KANJORSKI, Pennsylvania
JOHN L. MICA, Florida	PATSY T. MINK, Hawaii
THOMAS M. DAVIS, Virginia	CAROLYN B. MALONEY, New York
DAVID M. McINTOSH, Indiana	ELEANOR HOLMES NORTON, Washington,
MARK E. SOUDER, Indiana	DC
JOE SCARBOROUGH, Florida	CHAKA FATTAH, Pennsylvania
STEVEN C. LATOURETTE, Ohio	ELIJAH E. CUMMINGS, Maryland
MARSHALL "MARK" SANFORD, South	DENNIS J. KUCINICH, Ohio
Carolina	ROD R. BLAGOJEVICH, Illinois
BOB BARR, Georgia	DANNY K. DAVIS, Illinois
DAN MILLER, Florida	JOHN F. TIERNEY, Massachusetts
ASA HUTCHINSON, Arkansas	JIM TURNER, Texas
LEE TERRY, Nebraska	THOMAS H. ALLEN, Maine
JUDY BIGGERT, Illinois	HAROLD E. FORD, JR., Tennessee
GREG WALDEN, Oregon	JANICE D. SCHAKOWSKY, Illinois
DOUG OSE, California	
PAUL RYAN, Wisconsin	BERNARD SANDERS, Vermont
JOHN T. DOOLITTLE, California	(Independent)
HELEN CHENOWETH, Idaho	

KEVIN BINGER, *Staff Director*

DANIEL R. MOLL, *Deputy Staff Director*

DAVID A. KASS, *Deputy Counsel and Parliamentarian*

CARLA J. MARTIN, *Chief Clerk*

PHIL SCHILIRO, *Minority Staff Director*

CONTENTS

Hearing held on April 22, 1999	Page 1
Statement of:	
Allen, Claude A., secretary, Virginia Department of Health and Human Resources; Michael Poole, chairman, Board of Directors, Florida Work and Gain Economic Self Sufficiency Program; Jason A. Turner, commissioner, New York City Human Resources Administration; Julia Taylor, CEO, YW Works; Cassandra Tucker, former welfare recipient; Genevieve Kukla, president, Central Overhead Doors; Wendell Primus, director of income security of the Center on Budget and Policy Priorities .	69
Thompson, Tommy G., Governor of Wisconsin	17
Letters, statements, etc., submitted for the record by:	
Allen, Claude A., secretary, Virginia Department of Health and Human Resources, prepared statement of	72
Burton, Hon. Dan, a Representative in Congress from the State of Indiana, prepared statement of	5
Hutchinson, Asa, a Representative in Congress from the State of Arizona, letter dated April 2, 1999	51
Kucinich, Hon. Dennis J., a Representative in Congress from the State of Ohio, prepared statement of	14
Kukla, Genevieve, president, Central Overhead Doors, prepared statement of	107
Poole, Michael, chairman, Board of Directors, Florida Work and Gain Economic Self Sufficiency Program, prepared statement of	78
Primus, Wendell, director of income security of the Center on Budget and Policy Priorities, prepared statement of	112
Sanders, Hon. Bernard, a Representative in Congress from the State of Vermont, prepared statement of	11
Taylor, Julia, CEO, YW Works, prepared statement of	94
Thompson, Tommy G., Governor of Wisconsin, prepared statement of	25
Tucker, Cassandra, former welfare recipient, prepared statement of	102
Turner, Jason A., commissioner, New York City Human Resources Administration, prepared statement of	85

**NATIONAL PROBLEMS, LOCAL SOLUTIONS:
FEDERALISM AT WORK
PART III
WELFARE REFORM IS WORKING: A REPORT
ON STATE AND LOCAL INITIATIVES**

THURSDAY, APRIL 22, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:33 a.m., in room 2154, Rayburn House Office Building, Hon. Dan Burton (chairman of the committee) presiding.

Present: Representatives Burton, Morella, Shays, McHugh, Mica, LaTourette, Miller, Hutchinson, Terry, Biggert, Ose, Ryan, Waxman, Maloney, Norton, Kucinich, Davis of Illinois, and Schakowsky.

Staff present: Kevin Binger, staff director; Barbara Comstock, chief counsel; David A. Kass, deputy counsel and parliamentarian; Kristi Remington, senior counsel; Mark Corallo, director of communications; John Williams, deputy communications director; Carla J. Martin, chief clerk; Lisa Smith-Arafune, deputy chief clerk; Corinne Zaccagnini, systems administrator; Nicole Petrosino and Jacqueline Moran, legislative aides; Laurel Grover, staff assistant; Phil Barnett, minority chief counsel; Cherri Branson and Sarah Despres, minority counsels; Ellen Rayner, minority chief clerk; and Early Green, minority staff assistant.

Mr. BURTON. A quorum being present, the Committee on Government Reform will come to order. I ask unanimous consent that all Members' and witnesses' written opening statements be included in the record. Without objection, so ordered.

I want to welcome Governor Thompson of Wisconsin, who is with us today. Governor, we have four markups that are going on right now, and as a result we are going to have Members coming in and out; and I appreciate your patience with the problems we are having here in Washington.

Today, we will continue our series of hearings on the relationship between State and local governments and the Federal Government, and we will look at the progress of reforms of our Nation's welfare system.

We are very honored to have Governor Thompson with us today, whose innovative reforms in Wisconsin set the tone for later Federal reforms. The remarkable turnaround in welfare policy at both the State and Federal levels has allowed millions to free them-

selves from the vicious cycle of welfare dependency and poverty, and I am glad to be able to say that the success of the 1996 reforms and the State initiatives they were based on has proved many of the reform critics wrong. Since 1993, welfare caseloads have fallen by 6.5 million people.

Welfare reform started the same way many of our most innovative and successful policy reforms have started: in the States. One reason for this is that every State is different, and the government that is closest to the people is best able to respond to the people. We already have seen that in the past two hearings on crime and taxes. What may work in a large State like California may not be right for Delaware. The same holds true for welfare reform, and today we will hear from several different States and localities on how things are getting done.

Welfare reform is one of the best examples of policy success at the State level. Before Federal welfare reform legislation was enacted in 1996, 43 States were already operating under waivers from the Federal laws, a practice begun under President Reagan. The waivers enabled States to initiate experimental reforms in welfare that were ultimately successful, and these reforms led to the Federal legislation enacted in 1996.

In 1965, there were over 1 million people on welfare rolls nationwide. By 1994 that figure was over \$5 million. Even after spending \$6 trillion in the war on poverty, the poverty rates increased from 14 percent to 15.2 percent between 1965 and 1992 and out-of-wedlock births rose from 5 percent in 1965 to approximately 32 percent today. If you look at the inner-cities, the figures are even higher. It became apparent that the welfare system was not working and was actually hurting the very people it was designed to help.

The 104th Congress made it a priority to change this system and replace it with a program that placed an emphasis on work, responsibility, and family. The old welfare system undermined these basic values. The premise of reforms was rather simple. If an individual on public assistance is able to work, there is no reason he or she should not work. One of our most respected Presidents once said you cannot help men permanently by doing for them what they should and could do for themselves.

Yet welfare reform is very controversial. The President vetoed two of these bills before he signed the third welfare reform bill in August 1996, and many liberals said that the bill would cause chaos and throw millions of people into the streets. Well, that has not happened. In fact, the welfare reform bill provided a \$14 billion block grant for child care.

Other critics claimed that the States could not be trusted. Both President Clinton and his Secretary of Health and Human Services warned of the serious danger of providing welfare funds to the States in block grants. When President Clinton spoke of the pending danger of the States' race to the bottom, he said "It is always cheaper to cut people off of welfare than to move them to work. It will always be cheaper to lower benefits than to figure out how to reduce the caseload by moving them to work." Well, the States did not do that. They actually put more funds and more effort into providing their citizens new jobs, new hope, and new opportunity.

Take, for example, Governor Thompson. Who did he talk to when he was planning welfare reform for Wisconsin? He went directly to the people who are most affected by the reforms in welfare, the recipients. He found out directly from the source why they were on welfare and how he could help them become independent. Even with the success of the waiver reforms in Wisconsin, it was an uphill climb to convince the administration that the reforms would work and that we could trust the States to provide adequate benefits to their citizens.

Fortunately, we in Congress trusted the States and believed that they were best equipped to assist their own citizens. One of the truly great aspects of State control over policy is the speed with which they can address issues or problems that arise. If a program is not working for a State like Virginia, Virginia can change it. Virginia does not need to come to Congress and convince Senators and Representatives from 49 other States that a particular welfare policy should be changed because it does not suit one State.

Representatives from several States will be here today to tell us about their welfare reform programs and the progress they have made. Today, we want to look forward to the future of welfare and determine what roles the Federal, State, and local governments should play.

Our witnesses today also will share with us their views of the impact of present Federal laws and regulations on State programs and whether they are helping or hindering State efforts.

We are very happy Governor Thompson is on our first panel. He was first elected in 1986, and has won reelection ever since then. My gosh you have been Governor for—

Governor THOMPSON. Thirteen years.

Mr. BURTON. And you look so young.

Governor THOMPSON. I am the dean.

Mr. BURTON. Only 1 year after he took office, he received his first Federal welfare waivers from President Reagan and later received waivers from Presidents Bush and Clinton. Since that first waiver, he has worked with true diligence to overhaul Wisconsin's welfare system, and under his leadership Wisconsin's welfare rolls have dropped 81 percent since 1994.

As part of his efforts, Wisconsin became the first State to require work in return for welfare benefits. Wisconsin Works or W-2—you know that is the same thing as the W-2 form for the IRS. Maybe you should have thought about that.

Governor THOMPSON. That is why we did it. We went on to make W-2 synonymous with work.

Mr. BURTON. I understand. Wisconsin Works or W-2, the State's welfare program is a model for the rest of the country. In fact, W-2 has become an international model for many European nations looking to reform their welfare systems.

The successful reforms in many States and local governments have been widely reported. What Congress needs to know is when to help, how to help, and when to get out of the way. And we hope today to learn from you, Governor Thompson, and others what it is you think we need to do to assist you further in what you are doing in the States.

We will have other panelists who we will introduce at that time and each participant on that panel will provide us a different view on welfare reform. And with that I recognize Mr. Waxman for his opening comments.

[The prepared statement of Hon. Dan Burton follows:]

Opening Statement by Chairman Dan Burton (R-IN)
At a Hearing of the Government Reform Committee entitled
Welfare Reform is Working: A Report on State and Local Initiatives
April 22, 1999

Today we will continue our series of hearings on the relationship between state and local governments, and the federal government. We will look at the progress of the reforms of our nation's welfare system. We are honored to have with us today Governor Tommy Thompson, whose innovative reforms in Wisconsin set the tone for the later federal reforms. The remarkable turnaround in welfare policy at both the state and federal level has allowed millions to free themselves from the vicious cycle of welfare dependency and poverty. I am glad to be able to say that the success of the 1996 reforms and the state initiatives they were based on has proved many of the reform critics wrong. Since 1993 welfare caseloads have fallen by 6.5 million people.

Welfare reform started the same way many of our most innovative and successful public policy reforms have started: in the states. One reason for this is that every state is different, and the government that is closest to the people is best able to respond to the people. We already have seen that in our past two hearings on crime and taxes. What may work in a large state like California, may not be right for Delaware. The same holds true for welfare reform. Today we will hear from several different states and localities on how they are getting things done.

Welfare reform is one of the best examples of policy success at the state level. At the time federal welfare reform legislation was enacted in 1996, 43 states were already operating under waivers from the federal laws, a practice begun under President Reagan. The waivers enabled the states to initiate experimental reforms in welfare that were ultimately successful. These reforms led to the federal legislation enacted in 1996.

In 1965 there was slightly over 1 million people on the welfare rolls nationwide. By 1994 that figure was over 5 million. Even after spending 6 trillion dollars in the War on Poverty, the poverty rate increased from 14% to 15.2% between 1965 and 1992. Out-of-wedlock births rose from 5% in 1965 to approximately 32% today. If you look at the inner cities, the figures are even higher. It became apparent that the welfare system was not working and was actually hurting the very people it was designed to help.

The 104th Congress made it a priority to change the system and replace it with a program that placed an emphasis on work, responsibility, and family. The old welfare system undermined these basic values. The premise of the reforms is rather simple: if an individual on public assistance is able to work, there is no reason he or she should not work. One of our most respected presidents, Abraham Lincoln, once said, "You cannot help men permanently by doing for them what they could and should do for themselves."

Yet, at first welfare reform was very controversial. The President vetoed two bills before he signed the third welfare reform bill in August 1996. Many liberals said that the bill would cause chaos and throw millions of people into the streets. In fact, New York's Senator Moynihan said:

"I pray God no children end up on the streets, roving in bands, out of control, a threat to themselves, a danger to others, that we remember what we did."

Well, that has not happened. In fact, the welfare reform bill provided a 14 billion dollar block grant for child care.

Other critics claimed that the states could not be trusted. Both President Clinton and his Secretary of Health and Human Services warned of the "serious danger" of providing welfare funds to the states in block grants. When President Clinton spoke of the pending danger of the states "race to the bottom" he said,

"It's always cheaper to cut people off welfare than to move them to work. It will always be cheaper to lower benefits than to figure out how to reduce the caseload by moving them to work."

The states did not do that, they actually put more funds and more effort into providing their citizens new jobs, new hope and new opportunities. Take for example Governor Thompson. Who did he talk to when he was planning welfare reform for Wisconsin? He went directly to the people who were most effected by the reforms -- the recipients. He found out directly from the source why they were on welfare, and how he could help them become independent. Even with the success of the waiver reforms in states like Wisconsin, it was an uphill climb to convince the administration that the reforms would work and that we could trust the states to provide adequate benefits to their citizens.

Fortunately, we in Congress trusted the states and believed that they were best equipped to assist their own citizens. One of the truly great aspects of state control over policy is the speed with which they can address issues or problems that arise. If a program is not working for a state like Virginia, Virginia can change it. Virginia does not need to come to congress and convince senators and representatives from 49 other states that a particular welfare policy should be changed because it does not suit one state.

Representatives from several states will be here today to tell us about their welfare reform programs and the progress they have made. Today we want to look towards the future of welfare and determine what roles the federal, state, and local governments should play.

Our witnesses today also will share their views of the impact of present federal laws and regulations on state programs -- whether they are helping or hindering state efforts.

On our first panel is Governor Tommy Thompson of Wisconsin, one of the most popular governors in the country. Governor Thompson was first elected in 1986 and has won every re-election since then. Only one year after he took office he received his first federal welfare waiver from President Reagan and later received waivers from Presidents Bush and Clinton as well. Since that first waiver, he has worked with true diligence to overhaul Wisconsin's welfare system. Under Governor Thompson's leadership, Wisconsin's welfare rolls have dropped 81% since 1994. As part of his efforts, Wisconsin became the first state to require work in return for welfare benefits. Wisconsin Works, or "W-2," the state's welfare program, is a model for the rest of the country to follow. In fact, W-2 has become an international model for many European nations looking to reform their welfare systems.

Again, the successful reforms in many states and local governments have been widely reported. What Congress needs to know is -- when to help, how to help, and when to step out of the way.

We will also have a second panel today who I will introduce at that time. Each participant on that panel will provide us with a different point of view on welfare reform.

Our second panel will provide the Committee with several different perspectives on welfare reform. We have with us today the Secretary of the Virginia Department of Health and Human Resources, Claude Allen. Governor Gilmore of Virginia appointed Secretary Allen to that position in 1998. Secretary Allen's department is in charge of implementing Virginia's welfare reform initiative. Like Wisconsin, Virginia began implementing new "Work First" welfare policies under waivers from the federal government. Virginia's caseloads have dropped nearly 50% since 1994. They have created partnerships with business, industry and the faith community in an effort to help Virginia citizens find jobs.

We will hear about Florida's successful reforms as well. Since 1996, Florida's caseload has declined by more than 60%. Here to tell us about its reforms is the Chairman of the Board of Directors of the Florida WAGES program, Michael Poole. WAGES stands for Work and Gain Economic Self-Sufficiency, and is Florida's work based welfare program. Mr. Poole will provide the Committee with an interesting perspective, as he is the Chairman of an oversight board that is unique to Florida's program. The WAGES Board is an independent body made up of individuals representing the private sector and state agency directors.

Moving from the state level to the local level, joining us on the second panel will be New York City Commissioner of Human Resources Jason Turner. Commissioner Turner is responsible for implementing welfare reform in our nation's largest city. Back in 1994, over 1 million people were on the City's welfare rolls. That was over one-seventh of its total population. Since then, over 400,000 people have left the rolls. When Mayor Giuliani took office in 1994, he made it a priority to reform the system in New York City, and he has been very successful in doing so.

Turning to the private sector, we will hear from Julia Taylor, the CEO of YW Works. Ms. Taylor will provide us with the view of a private contractor working within the welfare system. YW Works was chosen as one of five agencies to participate in the privatization of Wisconsin's welfare system, and operates in the Milwaukee area. YW Works is responsible for assisting W-2 participants in securing jobs, but also has a role in fostering the value of work and independence in participants.

Also participating on the second panel is Cassandra Tucker. Ms. Tucker is a participant in the W-2 program in Wisconsin. She can provide us with one of the most important perspectives we will hear today – that of the individuals most effected by the welfare reforms – the recipients. Ms. Tucker is a success story of the W-2 program, and she is here today with her employer Genovieve Kukla.

I would like to welcome all of the witnesses to the Committee. We are delighted to have you here with us and look forward to hearing your testimony.

Mr. WAXMAN. Thank you very much, Mr. Chairman. I welcome Governor Thompson to our hearing. This is an important hearing because as an oversight committee we want to watch to see how in the real world changes are taking place and whether the original assumptions of our legislation are being lived up to.

I am glad to be able to be here and report some good news about welfare reform. Many former welfare recipients have jobs and have been able to move from being recipients to taxpayers. In part, these changes are made possible through innovative programs like that which Governor Thompson has initiated in his State. And in large part these positive changes are the result of a strong national economy which created 1.9 million jobs in 1998 alone. The Council of Economic Advisors attributes about half of the decline in welfare rolls to favorable economic conditions.

Unfortunately, the story on welfare reform is not all good news. Since the enactment of welfare reform, welfare rolls have declined by 46 percent. This sounds like a dramatic improvement. But in some States, many people have left welfare because they have been forced off by the State, not because they have risen out of poverty.

In December, for example, a Federal court in New York City found that applicants had been illegally discouraged from applying for food stamps and Medicaid and cash assistance. The court found that people were not only improperly denied assistance, but new applicants were diverted to private sources. And New York City may not be alone. Nationally enrollments in the food stamp program have declined further and faster than the decline in the poverty rate. The Department of Agriculture has initiated investigations into whether States have illegally diverted applicants from the food stamp program.

On the other hand, voluntary agencies have also felt the pinch created by welfare reform. A study by Catholic Charities U.S.A. found that the demand for food from pantries and other church-run programs has increased over 70 percent since welfare reform. So we see people going off food stamps. We hope they are working and self-sufficient, but at the same time we see them turning to Catholic charities and other charitable organizations.

None of these trends would exist if case closures meant that all people who left welfare were making a successful transition to the work force. But by and large what we have had is pretty good news. We hope it will continue. The real test is going to be when the economy is not as strong as it is now. And then we will have to evaluate whether welfare reform is living up to our expectations.

I applaud the success of individuals who have made the transition from welfare to work. I believe that just closing a case is not necessarily the true test of whether we have a welfare success. As an oversight committee, it is our duty to look beyond the case closing as statistics to determine what is really happening in welfare programs.

And so, therefore, Mr. Chairman, I see you have a long list of witnesses who are going to give us different perspectives on this problem. I think that is very worthwhile. And I know many of the Members are not going to be able to be here for the testimony, but the record that you will make today will be very helpful for all of us on this committee and in the Congress to continue our oversight

over this important area of interest. I yield back the balance of my time.

Mr. BURTON. Thank you, Mr. Waxman. Mrs. Morella.

Mrs. MORELLA. Either one, we work together well. I just want to welcome you, Governor Thompson. I am one who has had some concerns about how well welfare reform systems would work, and I am just so pleased to hear such good success stories. I guess I also want to—in your remarks if at some point you might also look at some of the legislation that we are going to have before us. I mean, for instance, legislation that would allow people to continue with Medicaid as they work so they don't lose health benefits. I guess that is what I am thinking of. Have you confronted a challenge with people who need to have health care benefits while they are working?

And second, the concept of training. One of the things we did in the Higher Education Act is we allowed some colleges to be able to subsidize child care for people returning to school to hone their skills or to learn new skills which actually would get them off of welfare. So I am also curious about child care and about training programs. And I really applaud your coming here to help us learn from your experiences. Welcome.

Mr. BURTON. Mr. Shays.

Mr. SHAYS. Governor Thompson, I consider you a real role model for so many people. You have been out front on these issues when they were not popular. But I would add that I also consider you a role model because, when you moved forward with welfare reform, you didn't just say "OK now that we have passed it, we can go on to the next issue." You truly tried to make it work, which in some cases has meant you put more money into programs.

I think you have made it very clear that welfare reform is not going to work if we don't have the kind of designed education and job training that will help people get jobs. You are the one who said that welfare recipients are not going to move over to jobs if they do not have some continuation of health care. You are the one who has made it very clear that you need transportation and day care. All of those cost money. And I just appreciate that you have done that.

This may sound partisan, but I find it particularly satisfying to see a Republican who has been so out front on both sides, in the sense that you want welfare reform, but you want to make it work. And you have shown a tremendous amount of compassion, so to me you are a real hero.

I would also conclude that you have an outstanding Congressman sitting next to you. I don't know how Wisconsin does it, but you have a lot of great members on both sides of the aisle. This fellow is tremendous. It is great to have you here.

Governor THOMPSON. Thank you very much.

Mr. BURTON. Any comments, Mr. McHugh? Mr. McHugh passes?

Mr. MCHUGH. Well, Mr. Chairman, let me just very briefly welcome the Governor. I would certainly associate myself with the remarks of the gentleman from Connecticut. I too look to you, Governor, as a source of inspiration, as someone who has really, like so many other Governors across this great country, forged a new path that we can hopefully continue to follow. I want to thank you

for your efforts and tell you how much we appreciate your being here today. And thank you, Mr. Chairman, for allowing us to hear from such a distinguished panelist.

[The prepared statements of Hon. Bernard Sanders and Hon. Dennis J. Kucinich follow:]

Congress of the United States

Washington, DC 20515

TESTIMONY OF CONGRESSMAN BERNIE SANDERS (I-VT) GOVERNMENT REFORM COMMITTEE HEARING "WELFARE REFORM IS WORKING: A REPORT ON STATE AND LOCAL INITIATIVES"

April 22, 1999

First, I would like to begin by stating that I am glad for the opportunity to discuss the effects of welfare reform and welfare programs in general. However, I do not believe welfare reform is working in many cases and even existing "improvements" to programs such as the food stamp program are not reaching our low-income constituents, and especially our elderly constituents.

Nationally, between 1995 and 1997, the number of people receiving food stamps in the U.S. in an average month fell by 4.4 million people. This decline in participation was five times as great as the number of people living in poverty. In 1995, there were 72 food stamp participants for every 100 people living in poverty. In 1997, there were only 62 food stamp participants per 100 people living in poverty. Seniors who receive SSI have a mid-level participation rate, whereas seniors who do not receive SSI have a very low participation rate. This may occur for a number of reasons including: the agency that assists the SSI recipient may point them to other available programs, or the SSI recipient may be more comfortable with providing documents to a government caseworker. In my home state of Vermont, there are 44,375 food stamp recipients in VT 20,877 food stamp households this year.

And while the number of people on food stamps declines, there has been an increase in the number of people using food banks in this country. At the same time, states and the Federal government continue to severely underfund programs such as Meals on Wheels and the Commodities Supplemental Food Program, both of which provide nutrition assistance to low-income seniors.

When a person applies for the food stamp benefit in Vermont, the State agency must calculate their anticipated expenses for the following year. In order to project what the expenses will be for the next 6 months to a year, the caseworker looks at the person's bills from the previous months and must verify them. Expected expenses for shelter, medical, education, and other allowances are deducted from the personal or household income, and accounted for in the application process.

In the case of seniors, many of whom ration their prescription medications because they cannot afford to purchase the prescribed amounts, only the previously accrued costs are taken into consideration for their projected expenses. If a person has not been able to purchase their medications as prescribed by their doctor, only the actual amount spent that can be verified, or the partial cost of the medication, is counted towards their medical deduction. If the senior requires additional medications, he or she must try to explain that they have not been taking all of their medications. Alternatively,

they may later fill the full prescription and return to the state agency to report a change in medical expense, which must be validated by the caseworker in order to increase the benefit.

Another problem with the food stamp program is that many beneficiaries, and especially seniors, are told that they must go to the welfare office to apply for benefits. Many are not even told they can apply in a phone interview. The state of Vermont claims that the senior must show that they have restricted mobility, no transportation, or a disability for an office interview to be waived. Vermont's Department of Social Welfare states that phone interviews are very rare and that they are reluctant to allow phone or home interviews. However, Federal regulations state, "The office interview shall be waived if requested by any household . . . because they are elderly."

When there is little assistance in navigating the confusing application process, no outreach is being done, and participation rates are falling, we should not be championing this as an exemplary program.

For example, many people don't know that the state of Vermont no longer has food stamps. They do not exist. What people now use is an electronic card, almost exactly like the debit cards we all have, to use at the grocery store to purchase groceries. Seniors can either use this electronic card or have their food stamp money direct-deposited in their bank accounts. I am pleased that Vermont has made this progress and taken away the stigma of the food stamps. Now, our seniors and others can have the nutrition assistance they need without having to be embarrassed about having their neighbors know that they rely on this government service to which they are entitled. However, the state is doing little outreach to let seniors know they are even eligible for this program and that they could just have cash deposited into their bank account instead of having to use food stamps. The Area Agencies on Aging in our state are doing a good job letting seniors know this service is available to them, but the state Department of Social Welfare needs to do its part, too.

Finally, I'd like to talk about one problem with Vermont's workfare program. Several of my constituents have raised concerns to me about enacted regulations related to exemptions for victims of domestic violence from some requirements of the Vermont workfare program. These exemptions are allowed by Federal law related to welfare reform. The focus of most of the concern is the provision which requires an "independent clinical assessment of the continuing effects of domestic violence" carried out by a "health care professional" in order to extend an exemption beyond the original six-month period.

Many victims of domestic violence have to move from place to place, change their names and Social Security numbers, and literally hide in homes or shelters. This arrangement could last for years, depending on the location of the batterer. Additionally, the long-term psychological impact of domestic violence may prevent a victim from being able to accept assistance from even the most sensitive and well-trained health care provider.

Other concerns have been raised in Vermont about categorizing victims of domestic violence as persons suffering from mental or physical illness, or a disability, merely because of them being such victims. To require them to obtain a doctor's letter to verify their status as crime victims is a particularly harsh insult.

I have spent two decades as mayor of Burlington and as Vermont's Congressman passing legislation to protect victims of domestic violence. The state has continued to delay changes to these workfare regulations. I hope that they will reexamine these regulations and modify them to allow for the decision about exemptions to program requirements to protect victims of domestic violence.

**Statement of Congressman Dennis J. Kucinich
Committee on Government Reform
Full Committee Hearing "Welfare Reform is Working:
A Report on State and Local Initiatives"**

Is welfare reform working? That is the question we are trying to answer today. Most of the witnesses testifying today represent States and cities that have dramatically reduced the number of people on their welfare rolls. They are meeting, and even exceeding, the requirements outlined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. But, are they really meeting the needs of their poorest citizens? Reduction in welfare caseloads is only part of the story. These numbers only tell us that fewer families are receiving assistance. We do not know why families are not receiving aid. Are they now working? Have their time limits expired? Have they left welfare as a result of punitive actions? These are questions we need to answer before we can really claim that welfare reform is working.

The Center on Budget and Policy Priorities reports that welfare caseloads are declining faster than need. Between 1995 and 1997, the number of children in poverty decreased 5.3%. That number sounds pretty good until you compare it to the number of child caseloads, which decreased 16.5%. The Center estimates that only 50% of poor children receive the Temporary Assistance for Needy Families (TANF) for which they are eligible. Furthermore, despite an improving economy, the poorest single mother families have experienced decreases in their income since TANF was enacted.

We cannot assume that just because parents are working they no longer need any additional assistance. Without food stamps, working families still fall below the poverty line even when working at a full-time, minimum wage job. Families can end up worse off than when they were on welfare if they do not receive monthly food stamp benefits. We need to examine States' policies regarding educating families about their eligibility for these programs.

I have another concern about some of the initiatives that states are using to administer TANF. Many states, including those represented here today, contract some of their welfare services out to private agencies. Privatization of these services opens the door to conflicts of interest, questions about the accountability of the programs, under-bidding, lack of public control, and diversion of other benefits such as food stamps and medicaid.

By their nature, private agencies are not as responsive to the local community. They do not have to be accountable for how they spend their money, especially the community reinvestment funds. This is of special concern since, while welfare rolls have dropped, and profits are high at some of these for-profit agencies, poverty is still a problem for too many families. In Wisconsin, for example, W-2 agencies are not required to keep track of what happens to people once they have left the welfare rolls. This information is critical to determining what is happening to these families and if tax dollars are being spent appropriately.

Last year in Florida, the privatization of TANF-related functions raised conflict of interest charges

when twelve members of the WAGES (Florida's Welfare program) Coalition awarding the contract chose a vendor whose Board of Directors included the same 12 people awarding the contract. After the Florida Attorney General's office initiated an investigation of the contract awarded, the WAGES Board changed its composition and re-awarded the contract to the same vendor, ending the Attorney General's investigation because supposedly the conflict of interest no longer existed. In light of this situation in Flager and Volusia counties in Florida, we need to ensure that States have procedures in place to prevent future situations involving such obvious conflicts of interest.

I want to thank the Chairman for holding this hearing and providing a forum where some of these issues can be addressed.

Mr. BURTON. Thank you. Congressman Ryan, the fine Representative from the great State of Wisconsin and one of our new members, we appreciate you being here to introduce the Governor.

Mr. RYAN. Thank you, Mr. Chairman. Thank you, members of the committee and my colleagues. I am pleased to be here today to introduce Governor Tommy G. Thompson from the great State of Wisconsin, my home State. Governor Thompson is the first Governor in the history of Wisconsin to be elected to four consecutive terms. This is a true testament to his abilities and how he has served the people of Wisconsin. Time and again Tommy Thompson has been willing to throw out the traditional approaches to government and experiment with innovative ideas in governing, and this is what is going to be shared today. He has been and continues to be on the cutting edge of social change in health care, long-term care, welfare reform, education reform, and several other social issue reform areas.

It is his innovative W-2, or Wisconsin Works program that has brought him before this committee today. This program, which has served as a model for the rest of this country, has reduced welfare rolls in Wisconsin, and get these numbers: under Governor Thompson's leadership, the W-2 program has reduced welfare rolls in Wisconsin from when he took office in 1987 of 100,000 families receiving AFDC to February 1999, 8,865 families on cash assistance. Let me repeat that just for 1 second because I think it bears repeating. When he came into office 100,000 families on AFDC. Now we are down to 8,865.

In a State with unemployment below the national averages, it is important to have every available person contributing to the work force. Governor Thompson's W-2 program continues to move new people into the work force by providing training and education. As the Governor describes this amazing reform proposal here today and as participants and program operators from the W-2 program will testify on further panels, I urge my colleagues to listen carefully to three elements of the Wisconsin welfare program that have been essential to its success.

The first element I urge you to pay particular attention to is the program design. The program is designed as a four-rung ladder that assesses employment readiness of an individual and places those individuals accordingly. As workers receive more experience and training, they move up the ladder toward independence.

Second, please take a look at the social services available through the W-2 program and the integrative administration of these services. If you ever have time in your busy schedules I encourage to you come to Janesville, WI and take a look at our job center. We retrofitted a K-Mart department store under Tommy Thompson's leadership. We have a job center now where we have all welfare recipients, other people coming to get one-stop shopping in social services. This is a very, very important point and phase of welfare reform.

Not only does W-2 assist individuals in finding employment, at these job centers it helps link them to services such as child care, health care, and transportation. We just had a plant shut down in Janesville, WI, Parker Pen. Probably half the pens you are using now were once made in Janesville, WI. But we had to get training

assistance for these displaced workers. Where did they go? They went to the job centers that Tommy Thompson created in Janesville, WI and other places around every single county in Wisconsin.

Last, please note the public-private partnerships that are a vital part of the administration of this program. It is much to the Governor's credit that he recognized that the government could not operate this type of a sweeping reform in a vacuum without the assistance of private sector agencies and businesses.

I believe the Governor can offer a great deal of insight not only on the welfare reform but also on Federal barriers to that reform. I am pleased that my colleagues will learn about the success of the welfare reform in Wisconsin, but also how Federal Government agencies and regulations have hindered that success. I will also be listening very carefully to the Governor's comments on what these barriers are, as well as his recommendations on how to address them; and that is something that is very serious work that this committee, I hope, will undertake in the next couple of years.

I am sure you are going to agree with me that the Governor's accomplishments have become a model for both the State and national level. Mr. Chairman, I want to thank you for holding this very important hearing. I want to congratulate you for the work on this committee. And my hope is that you will join me in welcoming Governor Tommy G. Thompson, who is a trailblazer in social reform, not only in welfare reform but health care and education as well. I thank the Members for holding this hearing. Thank you.

Mr. BURTON. Governor Thompson, welcome. And we appreciate very much—I know how busy you are in Wisconsin—we appreciate your being here, and we really are looking forward to any advice you can give us on how we can do additional things to help Governors across this country.

STATEMENT OF TOMMY G. THOMPSON, GOVERNOR OF WISCONSIN

Governor THOMPSON. Well, thank you very much, Mr. Chairman. I appreciate very much the invitation. I also appreciate your leadership in Congress and the fact that you are from a big-10 State. It is outstanding to have you in Congress. And I thank you and all the Members and, of course, my very good friend, Representative Paul Ryan, who just celebrated his 29th birthday. I tell you. And I am delighted that he is a Congressman. And I campaigned with him, and he is a delight to see in action. And I thank you so very much for introducing me.

There are a lot of questions that have already been raised by Members in Congress, and I will try and address them as I go through my testimony. On behalf of the State of Wisconsin, I certainly would like to thank you all for this opportunity to address this committee regarding a very important subject to me and that is welfare reform. I commend you, the committee, in your role in strengthening the connection between Washington and the American people by showing them that government is listening and that government wants to change for the better.

And I think that even yesterday with the Congress conference committee on educational flexibility, another giant step forward—and I want to compliment you on that particular piece of legislation

as well. I was supportive of that, as well as most Governors across the country.

At this time, Mr. Chairman, I would like to request that my entire testimony be included in the record.

Mr. BURTON. Without objection.

Governor THOMPSON. I would like to focus my comments today on three issues: first, Wisconsin's successful welfare reform; second, the role the Federal Government has played in that success; and, finally, what we can do to ensure success into the 21st century.

Wisconsin's welfare-replacement program, Wisconsin Works, W-2, which we put out and we picked the name synonymous with the W-2 slip that you get when you go to work, it has had tremendous opportunities as well as expectations and successes. W-2 was the first welfare to work program in the Nation and it still remains as a model. The program's success can be measured in a number of ways: first by the precedent-setting caseload reduction, and as Congressman Ryan has pointed out in February 1999, we just had over 8,800 individual families still receiving cash assistance. That is down from 34,000 families in August 1997, a 44 percent reduction, and 100,000 families when I started in 1987, or a 91 percent reduction in welfare cases.

Between January 1987 and February 1999, we have been successfully reducing our caseload, and it is now down by more than 91 percent. Again, this is higher than any other State in the country. It probably is one of the reasons I started earlier than any other State. And we have had good cooperation from Congress. We have received waivers from Presidents Reagan, Bush, and Clinton.

Though it is a good indicator, welfare reform's success, as Congressman Waxman pointed out, cannot and should not be measured by caseload reduction alone. A second measure of success must be the direct impact the program has on our participants, their families, and most importantly the children.

That is why Wisconsin's Department of Workforce Development has undertaken an evaluation project to determine how our former W-2 participants, or "leavers," are doing. To that end we have conducted the first in a series of four leaver surveys to find out about the well-being of our former participants. The results are extremely favorable.

Some critics of AFDC and W-2 predicted before the end of AFDC and the start of W-2 that most people having to leave these programs would not make it at all. Instead, what we are finding is that many people previously on welfare are making it for, perhaps, the first time in their lives.

The survey shows that 85 percent have worked since leaving welfare, that most of those are still working. Additionally, at least 80 percent of those with jobs said they were working 35 or more hours a week. And finally, 70 percent of the leavers said that life was better for them now than when they were receiving welfare. And we know those leaving are succeeding. The average wage for those leaving W-2 is \$7.42 an hour, more than \$2 above the minimum wage. And I also want to point out on top of that you get the earned income tax credit from the Federal Government, and the State of Wisconsin is one of the few States that have a State supplement to that. So if you are working, you are able to get an addi-

tional \$5,200. So just at a minimum wage, you are already up to \$16,000 if you apply for the programs.

The compassion—the compassion of W-2 shines through in the economic as well as the social successes that these families and entire communities are seeing. The entire State is benefiting from W-2 successes. Here are some impressive and very telling statistics: a family of three on W-2 is 30 percent above the poverty line of the current average wage of \$7.42 an hour. On AFDC, this same family was 30 percent below the line of poverty. And even at a minimum wage job, which there are very few any more in this country, the family is still 15 percent above poverty; and in Wisconsin you can still apply for the Federal income tax—earned income tax credit and the State earned income tax which will add an additional \$5,000 if you qualify for the maximums.

The child poverty—and this is something that I want to address to Congressman Waxman because I know he is so interested in it—child poverty in Wisconsin has dropped 14 percent since 1987. Overall, we have the fifth in Wisconsin, the fifth smallest poverty rate in the country and we have the fourth smallest gap between the rich and the poor.

Now wages for the lowest income residents—and I think this can be directly correlated to welfare reform—are rising faster than any other group. In 1989, Wisconsin ranked 29th in wages for the poorest residents. Today, it ranks 12th, and it is continuing to grow. The Milwaukee Journal Sentinel just had a report done not too long ago that said that the bus drivers going into the central city of Milwaukee were surprised that their buses in the early hours were filling up with people going to work when before they didn't have that kind of transportation. And second, the New York Times just had—the New York Times has a reporter that is going to be in Milwaukee full-time for 12 months covering welfare reform; and he said one of the interesting things in the central city of Milwaukee is that there are a lot of new tax preparation businesses setting up in the central city of Milwaukee, indicating that those individuals are working and paying taxes.

Teen pregnancies are dropping. Wisconsin now is the seventh lowest in the country, and before welfare reform it was increasing. Crime in Wisconsin has hit its lowest level since 1973.

Third, our success can be measured through the personal experience of our W-2 participants. I recently, as Congressman Burton pointed out, called in welfare mothers to come to the residence and have lunch with me. And I asked them what works, what doesn't work. I had the opportunity to have one of those meetings with a number of our W-2 participants in Milwaukee. Our success can be found in the words they shared with me that day and that I would like to share with you today.

Michelle Crawford, who had a lot of problems and she was written up in the New York Times this week, a nice display, and she said, I was blessed to have found W-2, and I ask others to take a chance on W-2 workers and we won't let you down.

I had the opportunity to invite her to come to my State of the State. As the President gives the State of the Union, all Governors give the State of the State. And they guard it very jealously because it gives them a chance to brag how well they are doing. And

I decided this year, since I have been doing it so long, to do something different. So I brought in Michelle Crawford, an individual who I had only known for a couple of weeks and asked her to share the podium with me.

And she got in front of the legislature and told her story and told about the fact that she hadn't worked; she had several children and had been in an abusive situation and she said now she is working. And this was in January and she said I was able to buy Christmas presents for my children. And then she brought her three children, and they introduced them in the gallery; and she pointed to her children and said to her children, she said, I tell my children, this is what you can do when you do your homework. And there was not a dry eye in the whole assembly chambers, and then she put her fist in the air and said give us a chance. We can be very productive, loyal workers. Give us an opportunity like W-2 gave me.

We were all, you know, very emotional and it was a wonderful, wonderful presentation by somebody that has had the opportunity now to be able to get off of welfare into work.

Roberta Giles, another W-2 success story, had this to say about the program: if I had \$1 for every time I tell someone how great W-2 is, I wouldn't have to work. And finally Connie Alston said, thank God for W-2. It works for me; I have seen it work for others as well.

Finally, our success can be found in the innovations developed by our W-2 agency. I set it up so the program could have very complete flexibility. To be able to adapt programs like you have allowed us to do at the State level, Congressman, I have allowed the W-2 agencies at the county and the local levels, the city levels, to develop flexible programs for themselves so they are not hamstrung by rules, so that if they see an individual case they can adapt their program and the money to help that particular family.

You are going to hear from a person after this, Julia Taylor, who I am so impressed by, is one of those innovative thinkers. She wanted to do something so she went out and bought a bankrupt factory, a plastics factory. W-2 allowed her to do this and under the YWCA, which she runs, she bought a plastics factory to teach welfare mothers how to run injection molding. And it is an absolute success story. She called it G2P, and it is a company created by a nonprofit organization, as I indicated, YWCA of greater Milwaukee. Trainees are recruited through YW Works, one of Milwaukee's five W-2 providers. We split up Milwaukee County and contracted out. The County Social Services Department didn't want to do it, so we contracted out with private vendors and they bid for the opportunity to set up this program.

Its mission, the YWCA, is to increase the self-sufficiency of central city residents by providing living-wage jobs and training in skilled labor for low income participants. In its first year G2P, this plastics factory, trained 98 W-2 customers in office, light industrial, and injection molding positions. And upon completion, the participants are prepared for hiring by plastics injection molding firms at wages up to \$11 per hour and some with complete benefits.

This program not only provides the job skills necessary for our participants, but it has also formed partnerships with other Wis-

consin employers who are in desperate need of skilled workers. This is innovation and partnership, I believe, at its very best. I won't say any more about G2P because you are going to have the opportunity to hear and to speak and to question Mrs. Julia Taylor, executive director, who is going to be with you later today.

Undeniably, Wisconsin's success in welfare reform is a reflection, however, of the Federal Government because you have listened; you have reacted to the needs of each and every State in this Nation. And I personally want to come back and just say thank you to all of you for supporting us.

It can also be said that the Federal Government's direction on welfare reform is a reflection of what we were able to do in Wisconsin, although from a national level it appears that changes to the State's welfare policy took place within the larger context of Federal welfare reform. Our success provided a blueprint for the Temporary Assistance for Needy Families program. In fact, TANF reflects a number of the initiatives we started in Wisconsin under the waiver program. Wisconsin successfully implemented through the waivers the past 12 years time limited benefits, emphasis on work participation, emphasizing that teen parents should live at home and providing supportive services such as child care, transportation, and health care.

And Congressman Shays is absolutely correct. I have testified in front of several congressional committees and have always said you can't have welfare reform unless you provide for health care first for the mother and the children. You have to then provide for adequate and reasonable and safe and good child care. Three, transportation. You cannot expect mothers to go to work if they don't have a car or good bus services; and, fourth, you have to have the training. You can't do it on the cheap. In fact, we spend more per case in Wisconsin now moving people off of welfare than we did under the old system of AFDC.

On a broader scale, what has TANF provided States? TANF has provided the flexibility States need to be able to change their welfare policy. This has been able to allow States to try innovative approaches from Connecticut to Indiana to California across the whole spectrum to be able to solve problems at the State level in order to meet the needs of its disadvantaged residents.

Generation 2 Plastics is a final example of this creativity and innovation. In its first year G2P not only gave those participants the necessary skills but it also importantly increased their self-esteem, gave them the opportunity to think for themselves that they could do it; and that is so important when you deal with welfare mothers.

We have been able to tailor W-2 to the needs and the problems of its participants thanks to you giving us the flexibility to do that. TANF allowed the States to move from a dependency model to a model that expects people to assume control and yes, the responsibilities over their lives and to provide for their families. By removing the entitlement, TANF has strengthened the critical length between something of value and the expectation that people will take control of their own lives if you give them the appropriate incentives.

And finally, TANF guaranteed the States a fixed funding level in order to develop these innovative programs. We couldn't have done

it without the block grants. We could not have done it, and I want to applaud you for it—in order to provide the services, and to be able to assist people in taking responsibility for their lives. The results have been a dramatic number as families have moved off the public assistance to work, proving that State TANF innovations are working. This country has seen its lowest level of welfare recipients in 30 years. And together the Federal Government and State governments have achieved this success as partners, and now more than ever we must work together to continue this success as we move into the 21st century.

So given the success under TANF, one might ask, as several of you have indicated, where is there room for improvement or, more critically, where has TANF fallen short? Despite the successes, there are a number of areas where removing regulatory barriers will also help future successes. However, before I address those areas that still require improvement, I do want to commend the Department of Health and Human Services on the changes—and I haven't done that often, and this may be the first time I have done it publicly in a long time—that were made to the TANF proposed rules. More specifically, as a State we were pleased somewhat to see the following items contained in the final rules released early last week: the tone has changed dramatically from the Department. It acknowledges that States are doing well. The change in definition of assistance. This has allowed us to be able to expand the kinds of things we can count toward assistance and now we are down in Wisconsin to the hardest-to-place people, so we need more flexibility in order to move the next 8,800 people off of welfare. So I was happy about the fact that they have liberalized the definition of assistance and allowed us more cooperation in child support and data reporting requirements.

Separate State programs for MOE, the maintenance of effort purposes, the final rules recognized that States are not using separate State programs to avoid the TANF requirement, something that I argued in Congress we would not do. And it recognizes the validity and the use of child-only cases. So I want to thank you for listening.

On that note, where is there room for continued improvement? Most importantly, Congress must reject the efforts—and I understand that it is something that you are always looking at as extra money. Every legislator or Congressman in the world always wants to spend more money, it is natural. And so Congress must reject the efforts to reduce, to rescind, or defer the funding of the TANF block grant. Any change in the funding mechanism would represent a breaking of that historic agreement between the States and the Federal Government which was established in 1996.

There are a number of factors that Congress must consider before thought is given to reducing, rescinding, or deferring the funding of the TANF block grant. Once we have a renewed commitment of those dollars, Wisconsin and other States will need additional flexibility to spend those dollars as we provide important supportive services such as transportation, child care to our low-income families, improvements in the TANF legislation, include giving States more flexibility in spending those dollars.

In order to provide the services to support low-income families in the most practical way, States need to be relieved of the requirement that expenditures be attached to a specific TANF participant. Congress should recognize and applaud the States' efforts in welfare reform. States didn't use the flexibility of the block grants as some Congressmen said or thought would happen, a race to the bottom. Rather we have been able to spark a race to the top, coming up with innovative programs, moving people off of welfare. Instead States are using these dollars for the public good, such as spending the block grant dollars to provide work and family stabilization services to low-income families.

Public support for such programs is evidenced by the recently released Kellogg Foundation survey which showed widespread support for programs to help the working poor. Additionally, Congress should modify the data reporting requirements. I don't know who reads all that data that you ask us to compile. And it just takes away the opportunity. We send in reams of paper, and I am sure, Congressman Burton, you don't want to read all of that data that you require us to collect. Remove that burden. Remove the burden of maintenance-of-effort requirements that are placed on States and allow States more flexibility in meeting the maintenance-of-efforts requirements.

Although the final TANF regulations appear to have provided some extra flexibility in this area, it appears that not in all cases. Let me quickly explain an example. We have reduced our caseload down to 8,800 families. Now, in order to maintain our maintenance of effort of \$173 million, just on those 8,800 family, we would like to be able to make sure that some of those families have moved off of welfare are still able to get services. We have a difficulty counting that. We also have a homestead tax credit that we give people, low-income families that they can apply for. We cannot count that for our maintenance of efforts. So we would like to have some more flexibility.

Child care is the most important one. Child care is undoubtedly one of Wisconsin's greatest factors to the success of W-2. And what more can be done to strengthen this critical piece of welfare reform? Again, increased flexibility in spending. We would like to be able to have the flexibility, Congressman, to be able to move TANF dollars into the child care development fund because it allows us to be more flexible, more innovative, and the TANF dollars we are very restricted in how we can do child care. I am setting up state-of-the-art new child care, exceptional child care, centers. In this budget that is going to allow for at-risk children in the central city, two of these exceptional child care centers—and we found that the earliest you can get at children and the brain development of that child, the better off you are going to be. So we want exceptional child care centers set up to help at-risk children. We want to be able to put them into a center that they are going to hear classical music. They are going to hear foreign languages piped in, and all of these things from our studies indicate that it is absolutely on the cutting edge to helping at-risk children develop properly.

The results would be better if we had the opportunity to have this flexibility, more accessible child care services for working families leaving welfare, so as the caseload has dropped, due to Wiscon-

sin's efforts, to move those who can work into the work force. The portion of Wisconsin's caseload with significant barriers—right now 80 percent of our welfare caseload of the 8,800 are in Milwaukee County and 60-some percent have an alcohol or drug dependency; 50 percent do not have a high school education, and 40 percent have never worked a day in their life of the remaining 8,800. So you can see it is going to cost us more. It is going to have to have more individualized counseling and better counseling and more programs to develop to move those off of it. Not only is there increased focus on these harder-to-serve cases, there is equal focus at helping low-income families maintain and to be able to advance their position in the workplace. Improvements in the TANF legislation should include expanding the use of the TANF dollars to help the hard-to-serve TANF eligibles and low-income families to prevent recidivism. This current narrow definition of work activities is no longer appropriate for the remaining case loads that we have to deal with.

I want to again thank you, Mr. Chairman, and the committee for proactively seeking out ways to strengthen the Federal-State partnership, for serving our Nation's most disadvantaged citizens. One way the Federal Government can help to ensure this success is to first uphold the commitment to providing the block grant dollars and second provide the additional flexibility necessary to spend our TANF dollars in a way that meets the needs of each State's most needy populations.

The changes in the final TANF regulations were a good first step. However, while these rules are considered final, even final rules can be changed. By doing so, the Federal Government and State governments can work together to ensure that the 21st century is set for success. In Wisconsin, and throughout America, welfare reform has demonstrated that States can best solve problems when they are given the flexibility and the support to do so. Congress gave the States that freedom. They gave them the freedom to design their own welfare replacement programmings and the block grants to support them. As a result, hundreds of thousands of families are now climbing out of poverty and pursuing their piece of the American dream.

We certainly hope that Wisconsin's successes encourages Congress to be able to give States even greater flexibility on welfare reform and greater freedom on other issues, from health care to education to welfare reform. Thank you very much, Congressman.

[The prepared statement of Governor Thompson follows:]

25

TESTIMONY

**“NATIONAL PROBLEMS, LOCAL SOLUTIONS:
FEDERALISM AT WORK”**

BEFORE

**THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM**

BY

**THE HONORABLE TOMMY G. THOMPSON
GOVERNOR
STATE OF WISCONSIN**

THURSDAY, APRIL 22, 1999

INTRODUCTION

Good morning. Thank you Mr. Chairman for inviting me here today to speak on one of my favorite topics – welfare reform. I would like to say a special good morning to one of your newest representatives representing the wonderful state of Wisconsin, Representative Paul Ryan. It is fitting that Representative Ryan be present today as I talk about Wisconsin’s welfare reform efforts. Wisconsin has come a long way in the past eleven years since applying for the first welfare reform waiver and, similar to Representative Ryan’s path, we have shown much success!

On behalf of the State of Wisconsin, I would like to thank you **all** for the opportunity to address this committee regarding welfare reform. I commend the Committee in its role in strengthening the connection between Washington and the American people by showing them that government is listening and government wants to change for the better.

At this time, Mr. Chairman, I would like to request that my entire testimony be included in the record.

I would like to focus my comments today on three issues. First, Wisconsin's successful welfare reform, second, the federal government's role in that success and, finally, what we can do to ensure success into the 21st century.

W-2'S SUCCESS

Wisconsin's welfare-replacement program Wisconsin Works (W-2) was implemented statewide in September 1997. To date, W-2 continues to succeed beyond all expectations. W-2 was the first welfare-to-work program in the nation and it remains a model for other states. The program's success can be measured in a number of ways.

First, by our precedent setting caseload reduction. In Wisconsin, in February 1999, just over 8,800 families were receiving cash assistance compared to just over 34,000 families in August 1997. This 74 percent reduction has not been duplicated by any other state. Between January 1987, when I took office, and February 1999, Wisconsin reduced its caseload by more than 90 percent. Again, this is higher than any other state in the country.

Though it is a good indicator, welfare reform success cannot and should not be measured by caseload reduction alone. A second measure of success must be the direct impact the program has on our participants, their families and, most importantly, their children. That is why Wisconsin's Department of Workforce Development has undertaken an evaluation project to determine how our former W-2 participants or "leavers" are doing post-W-2. To that end, we have conducted the first in a series of four Leavers surveys to find out about the well being of our former participants. The results are favorable. Some critics of AFDC and W-2 predicted before the end of AFDC and start of W-2 that most people having to leave these programs would not make it at all and, instead, what we are finding is that many people previously on welfare now believe they are at least making it, for perhaps the first time in their lives. The survey shows that **83 percent had worked since leaving welfare** and that most of those were still working. Additionally, at least **80 percent of those with jobs said they were working 30 or more hours a week**. Only about one in 10 said they were working half time or less. Finally, **69 percent of the Leavers said life was better for them now than when they were receiving welfare**. And, we know those leaving are succeeding. The average wage for those leaving W-2 is \$7.42 an hour – more than \$2.00 above the minimum wage.

The compassion of W-2 shines through in the economic and social successes that these families and entire communities are seeing. The entire state is benefiting from W-2's success. Here are some impressive and telling statistics:

- A family of three in W-2 is 30 percent above the poverty line at the current average wage of \$7.42 an hour. On AFDC, this same family was 30 percent BELOW poverty. Even at a minimum wage job, the family is only 15 percent above poverty.
- Child poverty in Wisconsin has dropped 13 percent since 1985.
- Overall, we have the fifth smallest poverty rate in the country. And we have the fourth smallest gap between the rich and the poor.
- Wages for the lowest-income residents are rising faster than any other group. In 1989, Wisconsin ranked 29th in wages for its poorest residents; today it ranks 12th. And it's continuing to grow.
- Just last week it was reported that our infant mortality rate hit an all-time low and has been on a steady decline this decade.

- Teen pregnancies are dropping as Wisconsin now has the seventh lowest rate in the country.
- And crime in Wisconsin hit its lowest level since 1973.

Third, our success can be measured through the personal experiences of our W-2 participants. I recently had the opportunity to speak with a number of our W-2 participants in Milwaukee. Our success can be found in the words they shared with me that day and that I would like to share with you today.

- *"I was blessed (to have found W-2)." "And I ask others to take a chance on W-2 workers. We won't let you down." Michelle Crawford*
- *"If I had a dollar for every time I tell someone how great W-2 is, I wouldn't have to work." Roberta Giles*
- *"Thank God for W-2. It works for me. I've seen it work for others, too"*
Connie Alston

Finally, our success can be found in the innovations developed by our W-2 agencies. Innovations developed because we have given them the flexibility to do so. This type of innovative thinking is epitomized at Generation 2 Plastics or G2P in Milwaukee. G2P is a company created by a non-profit organization in Milwaukee, the YWCA of Greater Milwaukee. Trainees are

recruited through YW Works, one of Milwaukee's five W-2 providers. Its mission is to increase the self-sufficiency of central city residents by providing living wage jobs and training in skilled labor for low-income participants. In its first year, G2P trained 98 W-2 customers in office, light industrial and injection molding positions. Upon completion, participants are prepared for hiring by plastics injection molding firms at wages up to \$11.00 per hour. This program not only provides the job skills necessary for our participants, but it has also formed partnerships with Wisconsin's employers who are in desperate need of skilled workers. This is innovation and partnership at their very best! I won't say anything more about G2P because you will have the opportunity to hear and speak with Ms. Julia Taylor, Executive Director/CEO of the YWCA of Greater Milwaukee later today.

SUCCESS IN THE 20TH CENTURY

Undeniably, Wisconsin's success in welfare reform is a reflection of how the federal government has listened and reacted to the needs of each and every state in this nation. It can also be said that the federal government's direction on welfare reform is a reflection of Wisconsin's welfare movement. Although from a national level, it appears that changes to state

welfare policy took place within the larger context of federal welfare reform, it may be more accurate to say that changes to federal welfare policy took place within the context of Wisconsin welfare reform. Our success provided a blueprint for the Temporary Assistance for Needy Families (TANF) program. In fact, TANF reflects a number of the welfare reform policies Wisconsin successfully implemented through waivers during the past 12 years:

- Time limited benefits;
- Emphasis on work participation;
- Emphasizing that teen parents should live at home; and
- Providing supportive services such as child care, transportation, and health care.

On a broader scale, what has TANF provided states?

TANF provided states the flexibility in designing programs and services for families in a way that best meets the needs of children. This allowed states to try innovative approaches that solved problems at the state level in order to meet the needs of its disadvantaged residents. Generation 2 Plastics is a fine example of this creativity and innovation. In its first year, G2P not only gave 98 W-2 participants the necessary skills to obtain good paying jobs, but also the life skills and increased self-esteem to maintain those jobs.

It replaced the one-size-fits-all welfare system with one that allows states to meet the unique needs of the people they serve. We tailor W-2 to the needs and problems of its participants.

TANF allowed states to move from a dependency model to a model that expects people to assume control and responsibility over their lives and to provide for their families. By removing the entitlement, TANF strengthened the critical link between something of value and the expectation that people want to and will take control of their own lives given the appropriate incentives.

And, finally, TANF guaranteed states a fixed funding level in order to develop innovative programs, provide services and assist people in taking responsibility for their lives. In return for agreeing to assume primary responsibility for welfare reform, states were allocated a fixed funding level to carry out its innovative approaches for moving their most disadvantaged residents to self-sufficiency.

The results – a dramatic number of families have moved off public assistance to work, proving that state TANF innovations are working. This country has seen its lowest level of welfare recipients in 30 years. *Together*, the federal government and state governments have achieved this success

and, now more than ever, we must work together to continue this success.

Together we must evaluate where we are now and determine what needs to be done to continue this success into the 21st century.

IDEAS FOR SUCCESS IN THE 21ST CENTURY

Given the success under TANF, one might ask where is there room for improvement, or, more critically, where has TANF fallen short? Despite TANF's success, there are a number of areas where removing regulatory barriers will help ensure future success.

However, before address those areas that still require improvement, I would like to commend the Department of Health and Human Services on the changes that were made to the TANF proposed rules. More specifically, as a state, we were pleased to see the following items contained in the final rules released early last week:

- The **tone** has changed dramatically – it acknowledges states are doing quite well;
- The change in **definition of assistance** – the definition was narrowed and impacts on which families are subject to time limits, work participation requirements, child support cooperation and data reporting requirements;

- **Separate State Programs for MOE purposes** – final rules recognize that state are not using separate state programs to avoid TANF requirements; and
- **It recognizes the validity and use of child only cases.**

On that note, where is there room for continued improvement?

TANF Administration

MOST IMPORTANTLY:

- **Congress must reject any effort to reduce, rescind or defer funding of the TANF Block grant.** Any change in the funding mechanism would represent a breaking of the historic agreement between the states and the federal government established in 1996. There are a number of factors that Congress must consider before thought is given to reducing, rescinding or deferring funding of the TANF black grant. These factors include: the hard-to-serve populations remaining on our caseload, increased levels of service, the increased need for greater job retention services and potential economic downturn.

Once we have a renewed commitment to those dollars, Wisconsin, and other states, will need additional flexibility to spend our TANF dollars as we

provide important supportive services, such as transportation and child care, to our low income families. Improvements in TANF legislation include giving states more flexibility in spending their state dollars. More specifically:

- **In order to provide services to support low income families in the most practical way, states need to be relieved of the requirement that expenditures be attached to a specific TANF participant.** Congress should recognize and applaud states' efforts in welfare reform; states did not use the flexibility of the block grant to "race to the bottom." Instead, states are using TANF dollars for the public good, such as spending the block grant dollars to provide work and family stabilizing services to low-income families. Public support for such programs is evidenced by the recently released Kellogg Foundation survey, which showed widespread support for programs to help the working poor.
- **Based on states' difficulties to date in working with ACF, Congress should ease the penalty language for "failing to report" and direct ACF to come up with a better means of reporting and analyzing data.** And, to the extent, that states are providing non-cash assistance, they should not have to meet data reporting requirements beyond

providing generic, not case specific, evidence that families receiving services are low income.

- **The formula for determining the amount of MOE a state is required to meet should be modified so that MOE requirements do not impose a burden on states.** Wisconsin's MOE requirement at 75% is \$169 million per year, based on FFY 92-94 AFDC amounts. It is unreasonable to expect states to expend monies at 75-80% of the amount they spent in the base years. In determining the amounts states must expend to meet MOE requirements, Congress should consider allowing a percentage reduction for caseload drops, e.g., 50% drop in the required MOE amount if the caseload has dropped by 75% or more.
- **States should be allowed more flexibility in meeting MOE requirements.** For example, the definition of "qualified expenditures" could be modified to allow states to count the match used to draw down Welfare to Work dollars as MOE, juvenile justice expenditures should count and the definition of administration should be modified to exclude eligibility determination. Expenditures on low-income families could be counted without having to show an increase in expenditures since federal fiscal year (FFY) 1995. States should be allowed to count all child support monies collected on behalf of and passed through to low income

families, not just the state share as long as the state continues to meet the federal share in a different transaction.¹ In addition, while what under existing statutory language seems rather open as to what states are allowed to count as “qualified expenditures”, the interpretation by ACF (e.g., questioning Wisconsin’s inclusion of the state Homestead Tax Credit as a qualified expenditure) is impeding states’ flexibility in this area. This could be corrected by counting all of the credits, not just the cash refund.

Although the final TANF regulations appear to have provided some extra flexibility in this area, it appears that ACF has not reversed its position on its interpretation of the Homestead Tax Credit and the Earned Income Tax Credit. Because these tax credits are considered an expenditure, as defined by the Congressional Budget Office, it should be counted as a “qualified expenditure” for MOE purposes. ACF’s incorrect interpretation is costing Wisconsin approximately \$5 million that could have counted toward its MOE.

- **The penalty language in 42 USC 609 should be modified and relaxed.** As currently written, there is double jeopardy in that, states

¹ This is unique to Wisconsin because we are the only state that offers the full pass-through and meets the federal share in a different transaction (through \$70M in waivers savings. Other states may offer the full

could be subject to significant penalties: first, by the imposition of federal penalties; and second, by the requirement that state dollars used to replace the lost federal dollars do not count toward meeting the MOE requirements.

- **Cost allocation issues should be reviewed - flexibility to use a combination of TANF, other federal and state sources to serve low income families is impeded by the difficulties in meeting cost allocation requirements** (tracking, appropriate charging to the correct fund source, etc.). The seeming disconnect between the ACF program staff and the DHHS Office of Cost Allocation is contributing to the difficulties states are having with this issue.

Child Care Spending

Child care is undoubtedly one of Wisconsin's greatest contributing factors to the success of W-2. What more can be done to strengthen this critical piece of welfare reform? Again, increased flexibility in spending.

- **States need more flexibility in being able to move funds between TANF and Child Care Development Fund (CCDF).** The expansion of the limit of the amount of TANF dollars that could be transferred to

pass-through, but they reduce the participant's TANF benefit.

CCDF, or even the elimination of this limit, would greatly increase states' flexibility in providing child care to low income working families.

Providing Services

As the caseload has dropped due to Wisconsin's efforts to move those who can work into the workforce, the portion of Wisconsin's caseload with significant barriers to self-sufficiency has grown. Alcohol and other drug abuse, mental health limitations, learning disabilities, physical disabilities, caring for a disabled family member, and low literacy levels, are just some of the issues facing our remaining caseload. Not only is there increased focus on these harder to serve cases, there is equal focus on helping low income families maintain and advance their position in the workplace. Improvements in TANF legislation should include expanding the use of the TANF dollars to help hard to serve TANF eligibles and low-income families to prevent recidivism. Additionally:

- **TANF law should be changed to recognize where states are in serving TANF families - while caseloads have decreased, states are now serving, and attempting to move into the workforce, those with the most severe barriers to employment. Services to these participants**

cost more and the current narrow definition of “work activities” may not be appropriate.

- **Language, similar to that which was included under the AFDC/JOBS program, should be added to exempt work training components from the Fair Labor Standards Act requirements (minimum wage, etc.).**

Failure to do so may result in states not being able to require a sufficient number of hours of participation in work activities to meet the minimum participation requirements under 42 USC 607.

- **States need more flexibility in serving noncustodial parents under both TANF and Welfare to Work (WtW).**
- **WtW eligibility requirements should be modified to allow former TANF recipients to receive services.** Current provisions which limit eligibility to current TANF recipients or the counterpart noncustodial parent of a current TANF recipient prevent states from providing needed job retention services to new workers. This is particularly true for states like Wisconsin that have had significant caseload reductions.
- **Medicaid benefits for TANF participants should not be based on meeting AFDC eligibility requirements as in effect on July 1, 1996.**

While Congress may wish to require that states be no more restrictive than the eligibility policy in place as of July 1, 1996, the language should

be rewritten to provide more flexibility to states. This would recognize states' efforts to provide health insurance coverage to more low income families as an important support to helping families maintain employment.

- **Congress should allow contracted non-government agencies to determine eligibility and benefit levels in the Food Stamp program to provide the most effective and efficient delivery system for W-2 and food stamp applicants and recipients.** One of the keys to reducing federal and state welfare costs is to provide effective, integrated welfare programs. While federal TANF legislation authorizes the use of private agencies to operate the state's TANF programs, federal law still mandates that food stamp eligibility is determined by a government agency. By allowing private agencies to determine eligibility and benefit levels for food stamp applicants and recipients, not only could we provide better services to our participants, but I may also strengthen the State's error reduction initiatives.

CONCLUSION

I want to again thank you Mr. Chairman and the committee for proactively seeking out ways to strengthen the federal-state partnership for serving our nation's most disadvantaged citizens. One way the federal government can

help to ensure this success is to first uphold the commitment to providing block grant dollars and secondly to provide the additional flexibility necessary to spend our TANF dollars in a way that meets the needs of each state's most needy populations. The changes in the final TANF regulations were an excellent first step. However, while these rules are considered final, even final rules can be changed. By doing so, federal government and state governments can work together to ensure that the 21st century is set for success.

In Wisconsin, and throughout America, welfare reform has demonstrated that states can best solve problems when given the flexibility to and support do so. Congress gave the states the freedom to design their own welfare replacement programs and the block grants to support them. As a result, hundreds of thousands of families are climbing out of poverty and pursuing their piece of the American Dream.

We hope Wisconsin's success encourages Congress to give states even greater flexibility on welfare reform and greater freedom on other issues from health care to education.

Thank you.

Mr. BURTON. Thank you, Governor Thompson. Before we start the questioning, Mr. Waxman has to leave, so he has a comment.

Mr. WAXMAN. I thank you, Mr. Chairman. I do have to leave. I have a conflict in my schedule. But I did want to stay for your testimony, Governor Thompson. You have given us some impressive results in your State. I think you are absolutely right. This is a Federal-State partnership to deal with this problem. It certainly helps when the Federal Government produces an economy of astounding proportions with low unemployment and growth everywhere. It also hurts when the Federal Government allows immigrants to come in illegally, as it has in my State. But we have got to work together and make sure that we are living up to all of those promises, and I think you put your finger in your remarks on all the things that are going to be necessary to be sure that we are doing right by people, getting them to work and not just simply taking them off of welfare. But thank you so much for your testimony. Thank you, Mr. Chairman.

Mr. BURTON. Governor, let me start the questioning by saying that you had a number of people who were critics when you first started out, and they said that people would be moving to the bottom rather than to the top. And you have been remarkably successful, because you did talk to these people evidently and because you have provided safety nets in areas where they didn't anticipate you would do that.

There are things that would concern some of my more conservative friends—but then I am a pretty conservative Congressman myself—but when I listen to you, I see the reasoning behind it. That is why I think it is important for you to be here: we can pass on to our colleagues why it is important even as conservatives that these things be done. But I think it needs to be elaborated on a little bit more why you think additional funding or continued funding needs to be given to people who are now working in the private sector and are above the minimum wage and are fairly self-sufficient; why there needs to be continued expenditures for transportation, child care education and these other things that you talked about. And if you could elaborate just a little bit, it would be helpful.

Governor THOMPSON. For several reasons. But first let me point out that you are dealing with some very fragile human beings. A lot of people on welfare are there for reasons that they really didn't have any control over. They may have been in an abusive situation. They may have been a mother at a very young age. A lot of teenage pregnancy, a lot of even younger than teenagers are having children. And they have a self-esteem that is extremely low. So moving them into welfare reform, and especially now where we are down to the hardest-to-place individuals, these are the ones with the most problems and multiple problems; and so you are not always going to be successful the first move from welfare into work.

Michelle Crawford was one of those examples. She had fallen back into AFDC several different times. And the first time we had her in W-2, we had her in a job that didn't pan out for her. She was a janitor; she was cleaning up in a factory, and she didn't like it. She wanted to be a machinist, and so we took what she wanted

to do and he taught her how to be a machinist, and now she is operating a machine and she just blossomed.

So you are not always going to be successful on the first case. So you may have to have some extra efforts, especially now when you are moving the easiest people off of welfare, the ones that have been on just for a couple of months and have had one or two problems and are now off. Now we are down to where you really have to put in the extra efforts, individualized counseling, individualized case studies in order to move them. And so that is why you have to continue funding it.

The second thing is that we are trying a lot more innovative things with welfare reform. It is not just moving the people off of welfare. We want to be able to get at the working poor—the working poor that are right above that level where they could fall back and get back on welfare, or get back on assistance but they want to work and they don't have any benefits; and in those places we set up a program in Wisconsin called Badger Care which is the next step to provide the working poor health care for themselves and their family and that is very expensive; and we are going to allow them to buy into our Medicaid program, and the State is going to spend a lot of our own dollars; and with the waiver from the Federal Government, we will also be able to get a Medicaid match but, we can't do it without the continuation of the block grant.

The third thing is on transportation and on training. You can't expect welfare mothers to be able to improve if you don't give them the training, and that is very expensive; and that is why the necessary dollars and the flexibility is so important, Congressman.

Mr. BURTON. Your comments brought up a couple more questions. I have a whole list of questions I would like to ask, but there are questions popping into my mind as I listen to you because it is very interesting and informative. One of the things you said in your opening statement was that the cost is actually not any less than AFDC; it is probably the same or a bit more to keep these people in productive positions.

Now a lot of people would say if it is costing more, why should we do it. But I want to ask you about tax revenues. By making these people workers instead of dependent on welfare, does it help the State's economy?

Governor THOMPSON. Sure. Absolutely it helps the State's economy; but let me tell you—it is from a conservative point of view—it is a good investment of dollars because when we were on AFDC, we were spending approximately \$9,400 per case. But now we are spending close to \$16,500 per case because we are putting more in child care. For instance, we have gone from \$12 million when I started in 1987 to \$175 million in child care. That is a huge increase. But even though we are spending more on a case and even though we spent a lot more on child care, the amount of dollars overall that we are spending on welfare are less because the caseload has declined. So even though we spent more individualized cases—on individualized cases, the overall amount of dollars being spent is actually less because the declining numbers.

And so it is a tremendous investment. As far as the economy, just by the numbers our unemployment is at 3 percent in the State

of Wisconsin, similar to Indiana. And we are having good cash-flow and the amount of wages that are going down, I mean, the wages are going up; but the decrease from the rich to the poor is declining in Wisconsin, and we think it is definitely correlated to more people working at the lower ends getting better wages by the training, so it is helping our economy overall.

Mr. BURTON. Very good. Mr. Davis.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman. Governor, let me also welcome you and indicate that I appreciate your testimony as well as the work that you have done in the State of Wisconsin with this issue. Not only do I appreciate your work but I appreciate the passion with which you have done it. You display a passion for this issue in terms of trying to really make it work. Information that I have looked at, some of it, indicate that the welfare rolls in Wisconsin have declined by 85 percent since March 1994. How do you equate that with the decline of poverty? I am saying, do you equate a decline in the welfare rolls also with a decline in poverty? And if so, would the rate of poverty be close to the rate of welfare decline?

Governor THOMPSON. I don't know if it is a direct correlation, but I think it is close. We have seen in Wisconsin our child abuse has gone down 13 percent. We were ranked 29th in the country in 1989—27th in the country in 1989, Congressman Davis, as far as disparity between the rich and the poor. This year we are ranked No. 12th, so it is definitely the lower income is increasing faster.

Our teenage pregnancy is down. The fact that our difference between rich and poor is fourth in the country, and poverty we are the fifth lowest in the country, so I would say that all of those statistics are getting better as our welfare rolls are going down, Congressman.

Mr. DAVIS OF ILLINOIS. And so the factors which contribute, if you add them all up in terms of what we ultimately define as being a poverty profile, certainly would have had some impact.

In Illinois we have had the experience of there being an increase in the number of persons lacking health care or without health care as they have come off welfare, about an 8 percent increase. What have the experiences been in Wisconsin?

Governor THOMPSON. Well, in Wisconsin we have 94 percent of our population covered, Congressman Davis. And we have 1-year transitional Medicaid coverage under our W-2 program. And we are starting a new program as of July 1 called Badger Care that will provide health care to families. They will be able to buy into Medicaid. We just got a waiver from the Federal Government in January to do that, Congressman Davis, and we are going to set this new program called Badger Care that we think will become a model for the country that you will be able to buy into Medicaid and be able to cover the working poor up to 185 percent of poverty, so we are at 93 to 94 percent covered right now in the State of Wisconsin, the highest of any State. We are tied with Hawaii. And we expect that to go up to about 97 or 98 percent after we really implement Badger Care in the State of Wisconsin.

Mr. DAVIS OF ILLINOIS. So then in reality, in Wisconsin there are not many people having serious difficulty acquiring health care or with access to health care?

Governor THOMPSON. It is obvious that it is not when you have 93 percent covered and you are the highest in the United States.

Mr. DAVIS OF ILLINOIS. You indicated in your earlier testimony that child care obviously is one of the great cost areas and cost factors as we deal with the whole question, especially given the fact that so many single women with children are the individuals who have a need to move. Do you have an indication of how many new jobs were actually created as a result of the increase in utilization of child care services and whether or not the job creation really becomes sort of a tradeoff for the costs for the increased costs?

Governor THOMPSON. It is hard to quantify that, Congressman. Let me tell you a little bit of what we did in child care so that you understand more completely. I said that we could not expect a welfare mother to go to work unless we provided child care, so we went from \$12 million to \$175 million this past year in child care. We also did something that I don't think many States have done. We have allowed for a provisional license, especially for the central city of Milwaukee because we were told there would be a lot of minority mothers and aunts and uncles and so on and so forth, grandmas, that would like to be able to take children in three or four of their neighbors or their immediate relatives; and so we provided for that. So we have created sort of a cottage industry in the child care field. And we have increased it. And we put in \$25 million for building capacity and I am happy to be able to report to you we have no waiting list in the State of Wisconsin for child care, none at all.

Mr. DAVIS OF ILLINOIS. Finally, I am a proponent of something called the livable wage; and what that means to us is that individuals should not have to work for less than \$7.65 an hour as being a base pay that they can manage on. Are there any ceilings beyond the minimum wage in Wisconsin?

Governor THOMPSON. No, there isn't. But there are several communities in Wisconsin that have passed living wage in the city council and the county. And we have found in our studies of moving welfare mothers to work, the average hourly wage is \$7.42. And you were not here when I pointed out that on top of that, in Wisconsin they get the Federal earned income tax credit but we are one of the few States that also has a supplement to that State earned income tax credit. So even at \$7.42 an hour or at minimum wage, you are still qualified for a large infusion of dollars from the Federal Government, the State, if you are working. That could amount up to a maximum of about \$5,400 on top of your wages. You qualify for the maximums of both the Federal earned income tax credit and the State earned income tax credit.

Mr. DAVIS OF ILLINOIS. Thank you very much. And I certainly appreciate your efforts in this arena and compliment you again on the passion with which you have tackled this problem.

Governor THOMPSON. That I have, Congressman. Thank you very much.

Mr. RYAN. We have a vote right now. We have 6 minutes left on the vote. We were going to try to keep the hearing going, but we have to recess for 10 minutes. We will be back. Thank you.

[Recess.]

Mr. BURTON. We will reconvene the hearing. We have Members wandering in and out now, Governor, because we have a vote on the floor and 15, 16, or 17 or so committees and we are beginning the markup phase and we have votes. People are running around. That is why we are all so thin. We are running back and forth to the floor all the time.

Let me just ask my colleagues, do you have any questions at the moment? Well, let's go right down the line. Mrs. Biggert, we will start with you.

Mrs. BIGGERT. Thank you, Mr. Chairman. It is good to see you, Governor. You may not remember, but I served in the Illinois general assembly. We had an opportunity to discuss a lot of these issues and you were very helpful. My question is, and being on the other side now, you talked a little bit about the block grants. It is still a concern from the State perspective that there will be kind of backsliding from the Federal Government once we see success and to start limiting the funds and everything. I hope that you will remind us as we move along. In Illinois we have a low income tax but we also have a low threshold. So it is very difficult for some of the people coming off of welfare and getting established and suddenly they are faced with being in an area, a bracket, where they are going to have to start paying income tax. Do you have a higher threshold as far as just above poverty for paying income tax?

Governor THOMPSON. Yes, we do. First, let me congratulate you on your promotion. It is great to have you in Congress. I will be reminding you and anybody else that will listen to me about keeping your hands off of the block grant because we need to do that. Right now we are moving into the next phase, several States are moving into the next phase to really use the money to place the hardest to place individuals. In my case we are now down to 8,800 families from 100,000 families, and 80 some percent of them in Milwaukee and 66 percent or more have got alcohol or drug problems, sometimes a combination of those, and 50 percent have not graduated from high school and about 40 percent have never worked. So you can see that we have a really difficult time. But what we did in the last session of the legislature along with this is we were able to reduce the threshold from anybody. The families making less than \$18,000 would not have to pay any income tax in the State. That should solve a lot of the problems. But there is no question that a lot of individuals that have never worked before or haven't worked consistently are now finding out the luxuries of paying income taxes and they are sometimes complaining. Some of them more than likely may become Republicans as a result, so it is not all bad.

Mrs. BIGGERT. Along with that, I think that something that was important in Illinois with having people that had never worked before was the training and the actual skills training. If you have reduced your role so much, you may not have to be providing that so much—the actual training on how to get up in the morning and dress.

Governor THOMPSON. We are actually spending more because the harder to place require more individualized counseling and more individualized training. A lot of the cases we got right now are not going to be successful on the first try. So you may have to train

them for something and find out that they are not suitable for that and retrain them for another. We are actually spending more money on training right now. We are also moving to the next step in trying to followup for 6 months anybody that is placed so that if they need some extra training, extra counseling, so on and so forth, we will not just be putting them into a job and walking away. We are continuing to give them counseling and giving them services. Also we provide for individuals that don't receive any cash, that if they want to come in and get some counseling on different things, maybe food stamps, some transportation assistance, we do that as well. There is still a lot of dollars going out there to help the working poor. Our Badger care, which is a new health insurance program for all of those up to 185 percent of poverty, is also very expensive for the State but it is also a partnership with our State and Federal Government through the Medicaid program. We just got a waiver to do that. We are the first State to have a waiver in that regard.

Mrs. BIGGERT. What about businesses? I know that we were successful in being able to find jobs for people because of the help of businesses and committing to finding so many jobs and ensuring that they were not splitting somebody else's job or taking away hours from other people. It was something that really helped Illinois to be able to get these people back to work or to work for the first time.

Governor THOMPSON. I know that was a big concern in Congress about splitting jobs and about displacing jobs, but I don't think that has happened. Jerry Greenwald from United Airlines is the national chairman, along with the cochairs and myself and Governor Tom Carper, to encourage employers all across America to hire welfare mothers. I think it has been extremely successful. I think we are up to close to 30,000 some employers who have indicated their desire to hire welfare mothers and taken the pledge that they will hire at least one welfare mother in the next 12 months. I think that is growing and we are trying to move that across America. I think that we have to encourage because mostly a lot of employers have got the typical stereotype of a welfare mother that doesn't want to work and is going to work one day. We found just the opposite. We found that they are very productive. Once they are able to find their niche, they are extremely loyal because somebody has given them hope and somebody has given them a chance and they are very loyal and very productive employees, the vast majority of them.

Mrs. BIGGERT. I would congratulate you on your success. Thank you, Mr. Chairman.

Governor THOMPSON. It is our success. It is the success of Governors, but also the success of this Congress who had the foresight and the vision to give us the flexibility to do what had to be done. So I compliment you as well.

Mr. BURTON. Mr. Hutchinson.

Mr. HUTCHINSON. Thank you, Mr. Chairman. Thank you for holding this hearing. I want to express my appreciation to Governor Thompson. We in Arkansas have followed what you have done and we congratulate you and we hope that we can strive to do just as well. I wanted to relate to you something that is hap-

pening in our State in the private sector that helps in this regard and then one problem area that I would like for you to respond to.

In my northernmost county, Benton County, we have the Benton County single parent scholarship program that raises private funds. They do an outstanding job. They give scholarships to single parents and they also provide mentoring to them. But the scholarship is to help them move from welfare to get more education. I have actually heard the experiences of one person who moved from welfare, got a 4-year degree with the assistance of this program and became an accountant. It was quite a transition that they made and they are really doing remarkable work. One thing that related, though—these are not full scholarships that cover everything. It is just an assistance to help them. But the work requirement part of temporary assistance program, I think there is a 12-month limitation on education and they want that extended. They say that 12 months just gets them started and all of a sudden they have to go to work and they can't go to work and raise a kid and go to school full-time as well or even sufficiently. So it is a real burden, that work requirement.

I want to add to that, before I give you plenty of chance to respond here, I would like permission of the committee. I have asked for the committee's consent to submit a letter from the Arkansas Department of Human Services and some of their comments on this hearing, today.

Mr. BURTON. Without objection.

[The information referred to follows:]

51

51



**Arkansas Department of Human Services
Division of County Operations**

Donaghey Plaza South
P.O. Box 1437- Slot 316
Little Rock, Arkansas 72203-1437
TDD (501) 682-8275

APR 07 1999

April 2, 1999

The Honorable Asa Hutchinson
U.S. Representative
30 South 6th St.
Federal Bldg., Room 240
Fort Smith, AR 72901

Dear Representative Hutchinson:

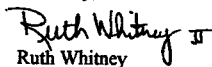
This letter is a follow up to recent phone conversations between Kurt Knickrehm and members of your Office. Mr. Knickrehm asked me to prepare some information regarding welfare reform that might be of use to you in preparing for work on a congressional committee addressing Government Reform. I understand your committee will be looking at some of the strengths and weaknesses with regard to federal programs such as the TANF block grant.

Attached please find our comments relating specifically to welfare reform issues that may be useful to you as you prepare for the hearing scheduled for April 22, 1999. If you have any questions or wish to discuss in more depth, please feel free to call me.

We greatly appreciate the opportunity to provide input to you in this important endeavor.

Thank you.

Sincerely,


Ruth Whitney

cc: Kurt Knickrehm
encl. (1)

Caring People...Quality Services

Public Service Excellence Award Winner 1998

"The Arkansas Department of Human Services is in compliance with Titles VI and VII of the Civil Rights Act and is operated, managed and delivers services without regard to age, religion, disability, political affiliation, veteran status, sex, race, color or national origin."

GOVERNMENT REFORM-WELFARE

General Comments

Federal block grants to the states under the Temporary Assistance for Needy Families (T.A.N.F.) program provided welcome relief from the traditionally prescriptive and inflexible "top down" approach to welfare programming that characterized the old Aid to Families with Dependent Children (A.F.D.C.) program for several decades. Arkansas has taken advantage of the state flexibility to design and implement a community-driven approach that holds promise of being effective in achieving our goal of assisting a substantial number of families attain long term self-sufficiency.

In addition, increased funding for child care in the form of block grants complemented the T.A.N.F. funding and was crucial in states' early successes in moving the more "job ready" families into the work environment. Also, federal Department of Labor Welfare-to-Work (WtW) funding earmarked for serving "hard to place" welfare recipients was seen as further evidence of Congress' interest in helping states move families from a welfare check to a paycheck.

Notwithstanding the above, there remain several concerns that may need to be addressed by Congress and the Administration as follows:

1. **WtW and TANF Funding**-While the Department appreciates the funding made available to states through WtW (DOL) and TANF (HHS) legislation, we have found considerable difficulty in achieving the close service coordination at the local level, as may have been envisioned by Congress when the two pieces of legislation were originally passed.

This can be attributed in part to some of the federal DOL "rules" associated with the WtW program being too prescriptive, (more of the traditional "top down" approach). Another, perhaps more important factor is the federal requirement that effectively forces states to administer the WtW funding through local entities originally established to implement the programs associated with the Job Training Partnership Act (J.T.P.A.). These entities, called Private Industry Councils, serve individuals over a multi-county service delivery area while the state's welfare reform approach was designed to be "community-driven", with planning and service delivery taking place in geographical areas that are different (closer to the local communities) than the old JTPA service delivery areas.

The above only briefly discusses the coordination difficulties and does not fully describe the various problems experienced by states in attempting to "mesh" two federal funding sources earmarked for basically the same population. Suffice it to say that there is a significant "disconnect" between the two programs.

Arkansas would welcome the opportunity to decide how best to administer these funds in order to achieve the ultimate program outcomes intended by Congress. This would include but not be limited to a) the same flexibility to develop/issue the program guidelines that was provided under the TANF block grants and b) the ability to decide which agency administers the funds at the state level as well as how those funds are spent at the local levels.

2. **Education and TANF**- The TANF block grant correctly placed emphasis on employment for welfare recipients, especially considering the fact that receipt of welfare using federal TANF funds was time limited. Further, experience with other pre-TANF federal initiatives, such as the Comprehensive Employment and Training Act (C.E.T.A.) and JTPA, had also demonstrated the relative ineffectiveness in job placement outcomes absent such a legislative emphasis.

While we support TANF's time limit provision and the emphasis on employment outcomes as a matter of broad social policy, the Department has found that the legislation went too far in limiting a state's ability to achieve such outcomes for a portion of its caseload through educational activities. Although a small number of cases may involve higher education, the vast majority of cases affected by this limitation are those needing basic remedial education and post-secondary vocational education services that often extend beyond 12 months.

This limitation is enforced through the TANF participation rate requirements vis-à-vis the functional definition of what constitutes a "work related" activity. Now that we have moved a substantial portion of our more job-ready clients into the workforce, it becomes critical that states be allowed more flexibility in determining what activities are most likely to lead to successful employment outcomes for the remaining welfare recipients. In Arkansas, this issue has been vigorously debated by our department, legislative committees, advocacy organizations and other interested individuals/organizations across the state over the past two years. We recommend that states be allowed to engage more recipients in a wider range of educational activities without jeopardizing our funding through fiscal sanctions. Our position is that we need to be held accountable for employment outcomes without unnecessary restrictions on how we achieve those outcomes.

3. **Continuing Federal Funding Commitment**- As indicated above, states have been successful in moving significant portions of our caseloads into jobs and otherwise off of cash assistance. In Arkansas, this has enabled us to re-direct some of our available funding away from cash assistance and toward the development of an infrastructure of services and supports at the local community level designed to assist families to achieve longer-term self-sufficiency. For example, some of these funds have been used to develop transportation solutions to assist individuals get to/from the job site. Other funds have been used to address gaps in support services (e.g. sick child care

resources) and removal of other barriers relating to such matters as domestic violence, alcohol/drug abuse, learning disabilities, etc. In order to continue our progress toward true systemic reform of welfare, we strongly recommend that Congress continue its commitment to provide the same level of block grant funding as originally contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).

4. **"De-linking" Medicaid from TANF Assistance-** One provision of PRWORA effectively separated or removed the linkage between eligibility for medicaid and TANF assistance. Further, states were required to maintain the same eligibility criteria for medicaid services that were in effect as of July 1, 1996.

While the intent behind this provision may have been understandable (ensuring eligibility for medicaid for those families who had been eligible for it under the former AFDC program), the result has been quite problematic to the states. The de-linking has forced us to develop two separate processes for establishing eligibility for the now two programs with distinctly different criteria for eligibility (thereby creating an unnecessary burden on both the agency as well as the client). More importantly, some clients are found eligible for TANF assistance while ineligible for medicaid services, which is contrary to the very reason for the de-linking provision in the first place. As an example, we allow our TANF clients to own an automobile so they can have reliable transportation to get to/from a job. The 7-1-96 AFDC eligibility criteria requires us to consider the value of that automobile in determining medicaid eligibility, thereby causing the family to be ineligible for essential medical services. In order to become eligible for medicaid, that potential wage-earner would have to dispose of the automobile and obtain a much cheaper and often less reliable vehicle. This could mean the difference between success and failure in terms of achieving an employment outcome.

We recommend re-establishing the automatic link so that a family eligible for TANF assistance automatically qualifies for medicaid assistance.

5. **Food Stamp and Medicaid Cost Allocation Determinations-** Section 502 of the Agricultural Research, Extension, and Education Reform Act of 1998 reduces Federal reimbursements for State Food Stamp Program administrative costs for fiscal years 1999 through 2002. The reduction was designed to prevent additional reimbursement for the Food Stamp portion of administrative common costs that were built into the Temporary Assistance for Needy Families (TANF) block grant. The Act also prohibits states from using TANF or State Maintenance of Effort funds to pay for or replace the reduction in Food Stamp reimbursement. A similar adjustment is planned for Medicaid administrative costs estimated to be included in the TANF block grant. The financial impact for Arkansas is \$12.8 million over the four years specified in the Act. Arkansas disagrees with the amount of the adjustments and, like most states in the nation, is appealing the determination based on a number of factors related to cost allocation principles and sampling techniques. Although the amount of these adjustments can be appealed, the order for State agencies to make the reduction is not

subject to appeal. Further, even though the "additional administrative funds" are contained in a state's TANF block grant, the reduction is taken in the Food Stamp and Medicaid programs and the loss of federal funds must be offset with non-TANF related state general revenue dollars. The Department requests that the Act be amended to allow for TANF dollars to be used to offset the reduction in federal funds in the Food Stamp and Medicaid programs once the actual amount of any adjustment has been determined through the appeal process.

Mr. HUTCHINSON. One comment that they made: While we support TANF's time limit provision and the emphasis on employment outcomes as a matter of broad social policy, the department has found that the legislation went too far in limiting the State's ability to achieve such outcomes for a portion of its caseload through educational activities. Although a small number of cases may involve higher education, a vast majority of cases infected with this limitation are those needing basic remedial education and post secondary vocational educational services that often extend beyond the 12 months.

Governor, if you could, just comment about that 12-month limitation.

Governor THOMPSON. I don't think that you should change that, Congressman. I think that this Congress made a decision that work is vitally important. There was a lot of flexibility built into that. The 12-month was part of that flexibility. A lot of people work. A lot of people raise children and go to college and so on. I think the 12 months is the thing. I think once you start retracting from the mandates of work, I think then you are going to set a sort of slideback and not be able to get more people motivated that they have to work and get off of welfare. The work provisions were set up so that States and the Federal Government had requirements that made people get off of assistance and go to work. Education of 12 months is there, but you can continue—there is a lot of programs that we set up in the State to allow them to work half time and continue on with their education after work and so on. We provide with training and encouragement to do that. I am a big believer in education but I think relaxing the 12 months, I think there is more harm that can be done than good.

You are going to find individual cases, I am confident, Congressman, that will solidify and corroborate your position. I think that I can find more cases to indicate to you that we should continue the work requirements because that is the driving force to move people from welfare, off of welfare. That is so important, to get that motivation going.

Mr. HUTCHINSON. Thank you very much. I yield back.

Mr. BURTON. Will the gentleman yield to me very briefly. I just had one comment and one question, Governor, and that is that you indicated one lady who has been a real success story. She went to work as a janitor. That didn't work out and she went to this injection molding plant and I guess has done very well. Do you give aptitude tests for these people on welfare? Have you thought about that?

Governor THOMPSON. We give a lot of testing, but not all testing is going to be successful because a lot of individual welfare mothers have a lot of problems and the testing will not show those problems like drugs and alcohol, lack of high school education, and so on.

Mr. BURTON. I was just curious about that.

Governor THOMPSON. In this case this woman never told anybody, but her father was a machinist and she always wanted to be a machinist. She was working in this G2 plastics factory cleaning up. She wanted to go out and learn how to run the machine. She finally got the courage to ask if she could be trained to work on the machine. She didn't like the work of cleaning, but she loved the

job of running that machine. She has been very extremely successful.

Mr. BURTON. Very good. The last thing I would like to say, and I thank the gentleman for yielding, is that you indicated that paperwork is causing you and the other Governors a great deal of problems. I wonder if you and the other Governors that have worked on welfare reform could send us a letter or some kind of a statement telling us how we could reduce the paperwork legislatively that would help you do your jobs better.

Governor THOMPSON. I don't know about the other Governors, but I will love to do that, Congressman.

Mr. BURTON. Get something to this committee and we will get legislation drafted, if possible, to deal with that.

Mr. Terry.

Mr. TERRY. Thank you, Mr. Chairman. Governor, good to have you here today. I am from the State of Nebraska. After our football season, our claim to fame is that we gave Barry Alvarez his coaching start.

Governor THOMPSON. We are very happy you did. He has done well in Wisconsin.

Mr. TERRY. Yes, he has. There are so many areas that we could have a good conversation for the next couple of hours, but I will try to limit it to 5 minutes. There are two ways to look at the success of welfare reform. First of all, I missed your opening but I have read it here since, or at least gleaned it. One is the success of the individual, and you have stressed that. I wonder if you have done any type of a study that economically shows how, on average, the people that have gotten off of the welfare system and into the work force in Wisconsin, how much better they are off economically today versus when they were on welfare. I noticed that one of the statistics is that for the lowest income people in your State, that Wisconsin ranked 29th and now they are 12th. I have a feeling that you are better off, but have you gauged that?

Governor THOMPSON. There is no question about that. You are absolutely correct. We have gone from 29th in 1989 to 12th as far as increasing the wages of the lowest wage earners in American. We are also the fifth lowest in poverty and the fourth lowest between rich and poor, the disparity between the rich and poor. It is obviously the working poor coming off of welfare and getting an opportunity.

But there are some statistics that I think really point out crystal clear what your position is and my position is. You can't get out of poverty by not working. The old FDC, just getting the FDC benefits, you were 15 percent below the lines of poverty. At minimum wage currently in America you are 15 percent above poverty. The people coming off of welfare in Wisconsin were averaging out at wages of \$7.42 an hour. That is 30 percent of poverty. You add to that then when you work the opportunity to qualify for the earned income tax credits of the Federal Government, which is around \$3,900. Then in Wisconsin it is one of the few States that have added to that an earned income tax credit from the State, which is another \$1,500. So you can actually qualify for the maximums for an additional \$5,400 by working which is added onto your wages. That really helps you a great deal. The minimum wage, if

you qualify for the maximums with all of the credits in Wisconsin, you will get \$16,000 for a family, which is \$6,000 more than if you qualified for everything under AFDC. So on minimum wage, you are bound to be better off by working. That is the principle that we as Governors have worked from. You are better off as a person and family by working.

Mr. TERRY. That would make sense to me; \$6,000 better off. That is impressive. That certainly answers some of the critics. The other fact is how it helps the State and the economy. Have you been able to gauge the impact?

Governor THOMPSON. It was interesting. The New York Times, which is not a paper that I religiously read or quote, but they have placed a reporter full-time in Milwaukee to cover welfare reform. They had a report just recently saying it was interesting to note that some of the new businesses in the central city of Milwaukee were small tax preparers setting up offices to prepare taxes from the central city. That is a strong indication. The Milwaukee Journal just had a report done not too long ago that interviewed several bus drivers of Milwaukee that were the bus drivers in the central city of Milwaukee, say before W-2 started they didn't have very many passengers in the early hours when they drove into the central city. But now their buses are full taking people from the central city to other areas of the city or to the suburbs for working.

There is every indication, anecdotally as well as the fact, that our unemployment is 3.2 percent in Wisconsin. Our wages for the lowest income people are going up. All of these are strong indications that the overall economy of the State is much better off because we have started W-2.

Mr. TERRY. One last question. One of my frustrations coming from local government is the job training type programs, especially under the old Federal edicts that simply scored you on how many people you could get into the system and then would never follow through with the people that actually dropped out of the system, couldn't find a job or couldn't hold a job. What are you doing in Wisconsin and what can the Federal Government do by way of empowering you to get to the people that need the most help with job training, make it successful as it can be?

Governor THOMPSON. The best thing that you could do is compress the 163 programs in the job training field at the Federal level and compress them into a block grant and give us the complete flexibility to do it. I would applaud you and that would be the greatest thing that would ever happen in Congress and it would be as big as welfare reform and accomplish just as much.

Mr. TERRY. I agree. I think that we now have our project for next year.

Mr. BURTON. 163 programs. Mr. Davis.

Mr. DAVIS OF ILLINOIS. Let me just say, Mr. Chairman, I certainly want to agree, Mr. Governor, that work is worthwhile. I always say that it is a virtue and actually the greatest builder of self-esteem that there is. When one works you not only earn a livelihood but contribute significantly to the well being of the environment of which you are indeed a part.

The one question that I have got is you have gone around to that group of individuals—Mr. Chairman, let me also just agree that when it comes time to reduce this paperwork, sign me up.

Governor THOMPSON. I applaud you, Congressman.

Mr. DAVIS OF ILLINOIS. I think that certainly could go a long way. Some individuals have been taken off the rolls because of infractions in terms of not being in compliance with some rules and regulations. How do you feel about that?

Governor THOMPSON. Well, I don't want to lose anybody, Congressman. I want to get everybody moving as much as possible. There are going to be some that fall through the security blanket. What we have tried to do is tried to go back. Now we are down to such a small caseload that we are going back now that—we call it—it is a LEAP program. The W-2 agencies in Wisconsin, in Milwaukee, that is where the biggest problem is, that we are going back to those individuals. We have advertised on television and radio. We are actually going door to door in some areas where we know that there is a family that needs some help. What we are trying to do is encourage them to come in to one of our W-2 agents and be able to sit down and we can assess them and see if they have had an infraction, what is the infraction. We do a lot of in-depth counseling to find out what the problem is. Is it domestic abuse, is it problems with the children, and so on.

I am sure that you would be supportive of this, Congressman, but also we found in some instances that W-2 mothers have had some disabled children. They would like to work and they couldn't because they couldn't find a proper child care center to take care of the disabled child. So in my budget that is being debated right now we have set aside some TANF dollars to set up child care centers in Milwaukee to take care of that population.

Then we found out another big problem was when a welfare mother wants to go to work and her child is at home sick. Then sometimes she doesn't know that she has to call to say she can't be at work, she doesn't show up, and gets penalized or maybe gets kicked off the program. What we have done to address that, Congressman, in this budget—we haven't set it up right now—we are also trying to set up a child care center for a central collecting place in the city where we could have for sick children to go. Maybe they have the flu or a cold or something like this. And then we are hoping to diagnose them and catch early a contagious disease or something like this. That has not been set up but that is the next step in both of those areas. We feel that that will also reduce a number of infractions and penalties because we found a lot of people have worked, they were doing well, but then they don't show up for 3 or 4 days, the employer gets mad and they don't call in and fires them and then they are off the program. We are trying to address these problems to keep them working.

Mr. DAVIS OF ILLINOIS. Is that what you are also doing with the hard to place, the core group that you are down to now, really the untouchables, the unreachable, the most difficult element of our society, that extensive counseling?

Governor THOMPSON. That is what we are doing, Congressman. We are now—as can you well imagine, 8,800 families are the ones if they could have had some skills, they probably would have been

working by now. Most of them are in Milwaukee County; 80 percent of our remaining 8,800 are in Milwaukee County. We found about two-thirds of those have at least an alcohol or drug problem or combination of the two. About 50 percent do not have a high school education and about 40 percent have never worked before. So what we have really now, we have to spend more money and really give the in-depth counseling.

We have to have the flexibility, Congressman, to be able to adapt a program to almost an individual family. We may even have to go out to that family and get them up in the morning and transport them to work to teach them how all of these programs work. And so it is a big job, but we want to make sure that we do it and we do it right. That is why we are spending more money to accomplish that. That is why I need the flexibility.

I think that buttresses what I told this Congress about 4 years ago, trust the Governors. We will not have a race to the bottom. Give us the flexibility to develop innovative programs and you will be surprised with what we come up with.

Mr. DAVIS OF ILLINOIS. Thank you, Mr. Chairman, and again I appreciate it.

Mr. BURTON. Thank you, Mr. Davis. Mr. Souder.

Mr. SOUDER. I wanted to followup on one of the comments that you made just a few minutes ago regarding parents with disabled children or some sort of special needs child because, as you have pointed out, you are getting down to those where it is almost like an individual case-by-case basis. I have run into a few cases in my district where the health insurance risk of those kids—I mean it is hard enough with the wage rates to try to figure out how to do the transition on the health care, and the health cares costs are often horrendously large in those cases. Have you run into that much and how are you addressing that?

Governor THOMPSON. There are four things that really prevent a welfare program from being successful and from moving a welfare mother from welfare to work. The first one is health care. The second one is child care. The third one is training and the fourth one is transportation. In order to be successful, you have to address each one of those four items. What we have done in Wisconsin, we allow for the State under our W-2 provisions—we got a waiver, I believe that waiver we got from President Bush, was to allow for them to continue on with Medicaid for a year after they started working. Now we just got a waiver from the Federal Government in January of this year for the working poor and all of those coming off of welfare to be able to buy into our successful Medicaid program and up to 185 percent of poverty. That of course is a waiver from the Federal Government. We had to assure the Federal Government that it wouldn't cost more. You have the Federal program and CHIPs for taking care of poor children. We have found that if the parents are not included, they are not as apt to sign up just the children. So we had to get a waiver to use the CHIP program and to be able to use our successful Medicaid program to allow the working poor, and that is those coming off of welfare, up to 185 percent of poverty. Then if they get on the program while they are still under 185 percent of poverty, they can stay on 200 percent of poverty. The State is backfilling that with our own State dollars.

It is expensive, but if you are going to be successful you have to do something like that.

Mr. SOUDER. That sounds like an excellent way of transition, something logical, and I am glad to see some flexibility with that. In the catastrophic cases, much like we are seeing with IDEA in the schools where all of a sudden you have this level and one State that takes \$200,000. Do you see very many of the—you could still have a break of where the insurance costs are running \$3,500—that would be a way understatement. It can be \$50,000 a year for that parent—

Governor THOMPSON. You can but most of the time those individuals would qualify for SSI.

Mr. SOUDER. So you have a second fallback that you work with. One of the early criticisms that we have some statistics here, that Wisconsin was merely dumping their caseload into Illinois, but I see Illinois is down 40 percent, Indiana went down 46 percent and Michigan down 59 percent. The question is it doesn't seem like a lot of dumping if there they are all going down as well. Did you find that out in your individual case work, that while initially people may have tried to escape Wisconsin because you were first, now you are actually seeing individuals where you are making the progress?

Governor THOMPSON. There was so much distrust, so much false information about what W-2 was all about that there was a lot of skepticism. Now the more that we are in it, the more people we are helping, the more people we have convinced that it is the right thing to do, the more people are out there applauding what we are doing. Those individuals that come off of welfare and working, they are really happy. They are the biggest supporters. If you have a typical welfare mother that has been in an abusive situation, has been a teenage mother and has got very low self-esteem and you encourage her to get the training and to be able to know that she can do a job and do it successfully and she gets promoted once or twice and starts being able to buy her children some gifts and clothes and so on and so forth, that person just blossoms.

That is what we have been able to do in welfare reform. That is so exciting to me to see somebody that has been beaten down have the opportunity to step forward and get the chance to prove themselves and prove their self-worth. They are exceptional.

Mr. SOUDER. You were one of the first if not the first to see the interrelationship of education and welfare issues. I know you tried learnfare, and got bottled up a little bit on that. I would be interested if you have any additional comments on that. Also with the Milwaukee choice program, do you think that some of the reason that parents want to move their kids into these choice programs is that if they don't have the traditional all weekend, always draw the welfare check, and the success in the workplace or also seeing that success in the workplace that that has energized some of Wisconsin choice in education programs and other things that you are doing?

Governor THOMPSON. I think it has. We had an interesting election 2 weeks ago in Milwaukee. We had a school board that was dominated by people that were not reform minded and they were most of those individuals on the Milwaukee school board. The five reform minded candidates won the election against three incum-

bents—two incumbents and two open seats and one reform minded candidate won; but all five reform minded. But in one instance, the citywide candidate for the school board had \$500,000. I don't think this has ever happened in America; \$500,000 was spent against that one person. Most of the money came from outside the State of Wisconsin to defeat that reform minded candidate because he was pro-choice and pro-change and pro-opportunity, and he won by 60 percent of the vote.

That has completely energized the educational system. Milwaukee is the only city in America now that you have the complete choice to send your child to a public school, a private school non-sectarian and a private school religious, a charter school run by the school district, a charter school run by the city, a charter school run by the university, a charter school run by the school and a complete science school set up by an individual stand-alone charter school. No other city in America has as many choices as the city of Milwaukee does right now.

I am confident that, since it is only starting this year, that you are going to see the education quality improve considerably over the next several years. It is going to be almost as big an eye opener as welfare reform has been to this country.

Mr. BURTON. Thank you, Mr. Souder. Ms. Schakowsky.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman. I come from Illinois and the Illinois State Legislature—

Governor THOMPSON. This committee is dominated by people from Illinois.

Ms. SCHAKOWSKY [continuing]. Where at one time I chaired a task force on welfare reform, so I know how hard it is. I applaud your entrepreneurial spirit in dealing with this issue and showing, I think, that real welfare reform does require on a per person basis that you spend real money, in your case even more money than you were spending before. We have some wonderful programs in Illinois, including More Pays, where TANF recipients can keep more of the money that they earn. Also, a concern that of the 40 percent decrease in the rolls, as Mr. Souder said, about half of the people that are leaving welfare right now are doing that because they have failed to make an appointment. A number of us are raising those kinds of concerns, why are people off the welfare rolls. We are also finding, and maybe it has been brought up before, forgive me if it has, but there has been a decrease in programs like Medicare and Medicaid and food stamps that even those not receiving cash assistance would be eligible for.

At the same time we are seeing increases in food pantries, Catholic Charities, new ports. I want to ask you a question about what is going on in that regard in Wisconsin. I am told that in your current policy manual and your draft request for proposals for the next round of W-2 contracts, that W-2 agencies are specifically directed to not proactively offer these entitlements. Is there any truth to that?

Governor THOMPSON. I hope not. Unless we are complying with the Federal laws in that regard. In regards to—

Ms. SCHAKOWSKY. Let me put it this way then. Do your front line people try to make sure that those programs, that people ineligible

for cash assistance, are eligible for it. Do you promote those programs?

Governor THOMPSON. Yes, we do. I want to point out we did see a decrease in food stamps, but now it has leveled off and we are seeing a slight increase back up of people qualifying for food stamps. We make no apologies for that at all. We think it is good. We think it is good that people are using it to supplement their earned income and be able to qualify. We have no problems with that whatsoever. It is a Federal program and we are going to qualify for it.

Wisconsin is one of the few States—we are the 49th. I keep talking to Congressman Ryan about giving us some more Federal dollars. We are 49th in America about getting any help from Washington.

Ms. SCHAKOWSKY. We are pretty low, too, in Illinois.

Governor THOMPSON. But a lot better in Wisconsin. You are still higher.

Mr. RYAN. You are still higher.

Governor THOMPSON. The Midwest as a block of States get fewer Federal dollars. As far as food stamps, if we qualify, we are going to certainly accept it.

Ms. SCHAKOWSKY. It is understandable how a former beneficiary might think that off is off. They might not understand—

Governor THOMPSON. I understand that. The question was raised by Congressman Davis. We are down to the hardest to place individuals. We are doing a lot of followup. We are also extending the W-2 counseling for an additional 6 months to 9 months for those people that have gone off of work to keep counseling them to see what we can do to make sure they stay in their jobs and find out if any cross training needs to be done, what other kind of programs we can be of assistance. W-2 is just not cash. W-2 is a whole plethora of programs encompassing the human person to try to get that individual trained, get them into a job that is going to be one that they are going to like and be able to perform at. We are not going to be successful 100 percent of the time. I don't want to leave that. If we can get those individuals placed, we are going to do everything that we possibly can do, and we are going to make their life as easy as possible.

Ms. SCHAKOWSKY. This may have been asked before. I know that you have private agencies that conduct the W-2 program. Is there the kind of followup so that you know where people are and what has been happening to them, et cetera?

Governor THOMPSON. Not as good as I would like. I am the first that would admit that. But what happened with the W-2—W-2 has only been in operation for about 16 months. We have been tremendously successful. Since W-2 started we reduced our caseload 74 percent and 90 percent totally from the time I started in 1987 with our first pilot program. We had so many people going off of AFDC the first couple months that we had a terrible time. It was difficult tracking everybody. Now we have set up a new procedure. We have had our first study done and we are going to do four more quarterly studies, where these people are, how well they are doing. Their criticism was constructive. We are doing a much better job now and it is not nearly as good as it is going to be a year from

now of tracking people. We will have a lot more empirical data a year from now if you call me back to give you that.

Ms. SCHAKOWSKY. Thank you very much.

Governor THOMPSON. I would like to point out we do have private, we do have profit, and we do have nonprofit agencies running our W-2 but we also have the counties as well. They all bid it and the one that wants to do the best job will do that.

Mr. BURTON. Mr. Ryan.

Mr. RYAN. Governor, I think that we have heard some very enlightening questions and testimony here today. Mr. Waxman was asking about some instances where New York State or New York City, they are pushing working poor off the cliff and going to the charities and other places. Ms. Schakowsky had some insightful questions on what happens after W-2. You have shed so much light on welfare reform, on bringing our States throughout this country onto the road of welfare reform. Now that we are beginning to mature through that process, given some of the concerns that we look at welfare reform that people going off of welfare are just going off of a cliff, could you shed some light on how Wisconsin is making sure that W-2 recipients aren't slipping through the cracks? And then I would have a followup question.

Governor THOMPSON. What we are doing is a lot of counseling, Congressman Ryan, and we are also doing a lot of followup. Ms. Schakowsky pointed out that she wants to make sure that people are not dropping through the cracks, as you are and everybody in Congress. We have not done as good a job as I would have liked. It was just because of the tremendous numbers that we were dealing with at the beginning. So we are following up completely. We are also trying to find out—in this budget we have gotten extended for another 6 to 9 months—for in-depth counseling of everybody that we placed to work to find out how well they are doing and what their problems are and how the State could benefit them and be a partner with them. We don't want to dictate, we want to be their partners. We also are doing a lot of innovative things as far as Badger care. The next step is health care. We have got a waiver on that, as I mentioned to one of the previous Congressmen, and that we are going to provide health care up to 185 percent of poverty, especially to the working poor. Once that kicks in that is going to help them keep their jobs much better because they can't afford health insurance. It is much better to keep them working and have the State help them with their health insurance.

In child care we are going the next step. I am really passionate about this and excited about it, setting up in this budget a completely new kind of quality child care centers for children at risk and trying to get to them at an early age so that when their brains are in the formative stages that we can impact on that correctly. It is sort of an exciting thing.

These are the things that we are doing and I think that it is sort of model setting, but it is the right thing and we are helping to be able to move the remaining people off of welfare over the next several years.

Mr. RYAN. I just want to compliment you on the way you are implementing this at the county-by-county level. I have toured the job centers in the First Congressional District, and it is just astound-

ing to see how the one-stop shopping principal is being applied within Wisconsin. In Janesville, WI, I don't know if you have been to that job center where you took an old K-Mart department store and retrofitted it and changed it into a job center. If you do have job training problems, health care problems, child care problems, you can go to the job center and meet with a consultant and they can help you get on the road to self sufficiency.

One of the things that Congressman Davis mentioned was getting a livable wage. I think there is an unjust criticism on welfare reform in general that we are simply putting people in the minimum wage jobs. I know that that is not the case with W-2, but could you just enlighten us a little bit about how W-2 specifically deals with promoting people to getting off of minimum wage jobs into higher paying jobs?

Governor THOMPSON. I certainly can, Congressman, but I would just like quickly to comment on your one-stop shopping center. This is something that we started in Wisconsin. A lot of States are doing it. It is a combination of the State, city and county. If you were able to give the employment training provisions in the block grant, you would, Congressman Ryan, do so much to unleash the innovation of different States on training people and getting them off of low skilled into higher skilled. It does work. You can go in there and take your children in. They will be taken care of in the child care center while they are there. In the city, if you have a problem with whatever, we are going to take care of you. That to me is the beauty of it. You don't have to waste going from one agency to another. If it is a city problem or a county problem or a State problem, they are all going to be dealt with in that one-stop shopping center. You have been there, you know they are successful. But if we could get that block grant on the employment training, I could tell you we could do so much more for your constituents and for mine and for the people of this country. People have the mistaken belief that you are able to get out of poverty by being on welfare. You are 15 percent below the poverty line on AFDC standards. The only way to get out of poverty in this country is by working. It just makes common sense. If you are 15 percent below poverty staying on welfare, you are never going to get above it. It is impossible. So the only way to get above poverty is by working. Even at the minimum wage, which everybody knows you don't find many minimum wage jobs in many places across this country because people are working. When people are at full employment or close to full employment, wages go up. McDonald's is always used. Why are you training people to go into McDonald's? McDonald's, I am sure, are paying \$7 an hour right now just starting. Most of the welfare case workers that we have are people that have moved off of welfare into work, are making on the average of \$7.42 an hour, which is \$2 above the minimum wage. On top of that, at \$7.42 you are 30 percent above the minimum wage, above the lines of poverty. And on top of that in Wisconsin, you qualify for earned income tax credit and from the Federal you get that any place in this country, which you can't get when you are on AFDC. That, if you qualify for the max, is \$3,900, over \$300 a month on top of that. Even at minimum wage you can qualify for that. Then on top of that in the State of Wisconsin, we are one of the few States that has their own

State earned income tax credit, which can give you another \$1,500. So actually you can get an additional \$5,400, more than \$100 a week, just by working, from the Federal and State government, if you qualify for the maximum earned income tax credit. So it makes sense to work.

Mr. RYAN. Just to bring you up to date, Governor, as vice chair on one of the subcommittees on this committee, the Natural Resources, Economic Growth, and Regulatory Affairs Subcommittee, we are going to launch a series of hearings looking at Federal barriers toward State and local government reform. That is why it is so informative and helpful to have you come up and testify and tell us precisely what those barriers are. Just for the record, I wanted to get this down, which is you need assistance with the job training block grants. You need the paperwork burden to be lessened or removed. Is there anything else off the top of your head—

Governor THOMPSON. If you could get those two, you would make my life a lot better and every Governor in this country, and you would do so much to help improve the quality of life.

Mr. RYAN. We look forward to working with you.

Governor THOMPSON. Thank you so very much.

Mr. BURTON. Let me just say, Governor, before I yield to Mr. Mica, that if you will get through to Mr. Ryan or directly to me these requests for changes, I will talk to some of the other committee chairman of the relevant committees and see if we can put some of that on a fast track.

Mr. Mica.

Governor THOMPSON. Thank you, Mr. Chairman.

Mr. MICA. Thank you, Mr. Chairman. First of all, Governor, I would be remiss if I didn't compliment you on the incredible record of accomplishment that you have achieved. I came into the minority in 1992 from the business sector determined to balance the budget, welfare reform, and other reform of some of the Federal programs that had gone askew. We had some incredible battles and we appreciate your assistance. We were defeated several times, but we finally came back and won at the Federal level. During that debate I always liked to use the quote from Thomas Jefferson that said dependency begets servitude.

I think that you have freed in your State and across the Nation thousands and thousands of people. I think history will record that as probably the most significant thing that we have done in a generation, really, at the Federal and State level, to help people gain self-respect, self-worth, and dignity and part of what this country is about, economic opportunity and personal freedom, not being dependent on government programs. I just had to say that.

One of the things that has concerned me is that as we take people from welfare to work is, again, they are going to enter at the lower paying level. I think Mr. Davis asked you a question about health care, which is of great concern to me. You don't want to take people out of a system that they have been dependent on and also gone to for health care and for other benefits that they can't get because we provided more not to work than to work. Then if you work, you have got less and you have got fewer benefits.

If I am a parent, I am concerned about health care. I was astounded by the figure that you said, 93 or 94 percent of your folks

have health care coverage in your State, which I think should be a model for this country. It is a sin that 43 million Americans do not have health care coverage. Could you tell us how you did that and maybe recommend how we could do that? If we could do welfare reform and we could do that, we have accomplished two great things, allowing people to work and then allowing them to have the most important benefit, which is health care coverage in my estimation.

Governor THOMPSON. I can't take that much credit for it, Congressman. It is sort of the whole State has pulled together. We have a lot of insurance companies in the State of Wisconsin. We were one of the first States to start managed care and HMOs. It was very helpful in getting people covered by health care. We were the first State to start the COT program which allowed people to choose to stay in their own home rather than going into a nursing home. Then under the welfare program, we just made it a policy that we were going to cover welfare mothers for a year after they left welfare so that they would have the security of knowing that they would be covered.

There are four things that prevent a welfare mother from going to work. The first one was health care, which was dominant. I looked at that. We got a waiver. I believe it was under President Bush that we got that waiver to provide for health coverage for 12 months after they started working so that there would not be the immediate falloff. The second thing is day care, which we provided. The third one is transportation and the fourth one is training. Now we tried Badger care. That is going to raise our level from 93 to 94 percent. We are tied with Hawaii for having more people covered by health insurance. Hawaii has sort of universal health, but they are only about 93 or 94, so we are tied right there. So we are going to have Badger care for the working poor. We just got a waiver from the Federal Government to do that. We are hopefully going to have it up and running by July.

The Federal Government says for this waiver, we can't cost the Federal Government any more money. So it is going to be an expensive program for the State, but it is the right thing. It is an investment in the health care. It is the working poor—that person that has never asked for anything, maybe coming off of welfare, but also maybe a poor farmer in the State or somebody just above minimum wage that just can't afford it. We are going to allow that family to be able to buy into our successful Medicaid program up to 185 percent of poverty. Then if they get in below 185 percent of poverty, they can stay in until they reach 200 percent of poverty. It is going to, we think, increase the number of people that are covered by health insurance in Wisconsin from about 93 percent all of the way up to about 98 percent.

Mr. MICA. Thank you again, Mr. Chairman. Thank you, Governor.

Mr. BURTON. Let me just say, Governor Thompson, first of all, I am sorry that our Members weren't all here at one time. This has been a very busy day. You can see they have been in and out. The information that you have given us I think will lead to legislation. I can tell you from my own personal standpoint, and I am sure Mr. Ryan and others on the committee, that we will do everything that

we can do to help you to reduce the paperwork burden and maybe streamline some of our other programs and get money back to help solve the problems. If you will get that information to us through Congressman Ryan we will really work on that.

I would like to say one more thing. You are living proof that good government is good politics. I know that Wisconsin is a switch State. For you to be Governor for 13 years proves you are doing the job right, and we really appreciate what you do. Thank you, sir, very much.

Governor THOMPSON. You are a wonderful person. Thank you for having me, Congressman.

Mr. BURTON. Thank you, Governor. Our next panel is Claude A. Allen, secretary of the Virginia Department of Health and Human Resources; Michael Poole, chairman of the Board of Directors of the Florida Work and Gain Economic Self Sufficiency Program; Jason A. Turner, commissioner of New York City Human Resources Administration; Julia Taylor, the CEO of YW Works; Cassandra Tucker, a former welfare recipient and now gainfully employed; Genevieve Kukla, president of Central Overhead Doors; and Wendell Primus, director of income security of the Center on Budget and Policy Priorities. Would you all come forward and sit here at the table. Before we start, we have one of our valued members of the committee from the great State of Florida, Ms. Ileana Ros-Lehtinen, who would like to make a remark or two about some of her constituents.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman. It is a pleasure for me to welcome Mr. Michael Poole, the chairman of Florida's Work and Gain Economic Self Sufficiency Wages. This is a program that has performed an outstanding job in reducing Florida's welfare caseload while improving services to the truly needy. With the wages effort under the leadership of Mr. Poole, this program began in 1996 while our State of Florida has led the Nation's eight largest States in the decline of its welfare rolls. The number of families on welfare has dropped by more than 60 percent and more than 140,000 individuals have returned to work. As a result of this amazing success story, more than \$250 million in savings has been used to reinvest in clients who face more formidable barriers and as a rainy day fund for a possible future economic recession. Another \$70 million in wages savings has been used for the very important needs of child care for the working poor.

Recognizing the benefits are limited and taking advantage of increased employment assistance, the average stay on welfare in Florida has dropped significantly from 23 months to 14 months in July 1998. The most comprehensive State study ever taken shows that over 75 percent of Florida families who have left the welfare rolls have found employment and that most believe that they are far better off since leaving the welfare system.

We congratulate Mr. Poole and the reforms that he has adopted. They have been very effectively implemented in the State of Florida with a strong Federal-State partnership reducing welfare rolls while utilizing our State's private sector with economic incentives to boost payrolls. I welcome him to our panel and I thank you, Mr. Chairman, very much for inviting us in Florida to participate and boasting about what a good job we have been doing.

Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Ms. Ros-Lehtinen. And the other Congressman from the State of Florida, Mr. Mica, has a comment.

Mr. MICA. Thank you, Mr. Chairman. I won't take too much time, but I just want to associate myself with the remarks of my colleague from Florida and also welcome Mr. Poole and compliment him on the outstanding job that he has done, compliment the wages program in Florida and what it has done to allow people self-sufficiency and local control and local responsibility, and we are so pleased to have him with us.

I really would like to utilize the rest of my time, sir, to hear from him. Thank you, and I will yield back.

Mr. BURTON. Thank you, Mr. Mica. Mr. Ryan.

Mr. RYAN. I would just like to welcome Julia Taylor, Cassandra Tucker, and Genevieve for coming today. We just heard from our Governor, Tommy Thompson, about how he structured W-2, how it is working and how the policy works. I am looking forward to hearing from you how it is working on the front lines, how it is working in reality and in practice. I am very excited about having you here. I am glad your plane made it on time. Good to have you.

Mr. BURTON. Speaking of planes, I think Mr. Primus is going to have to leave in a little bit, so we will get you on the program here relatively soon. But you will probably get out to the airport, if it is National, and you would probably be waiting anyhow.

Mr. Allen, would you like to start off? If it is possible, I would like for you to try to confine your remarks to 5 minutes because we have so much we have to cover.

STATEMENTS OF CLAUDE A. ALLEN, SECRETARY, VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES; MICHAEL POOLE, CHAIRMAN, BOARD OF DIRECTORS, FLORIDA WORK AND GAIN ECONOMIC SELF SUFFICIENCY PROGRAM; JASON A. TURNER, COMMISSIONER, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION; JULIA TAYLOR, CEO, YW WORKS; CASSANDRA TUCKER, FORMER WELFARE RECIPIENT; GENEVIEVE KUKLA, PRESIDENT, CENTRAL OVERHEAD DOORS; WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY OF THE CENTER ON BUDGET AND POLICY PRIORITIES

Mr. ALLEN. Certainly. Thank you, Mr. Chairman, members of the committee. It is indeed a pleasure to be here on behalf of Governor Jim Gilmore and the citizens of the Commonwealth of Virginia. In November 1993, the citizens of the Commonwealth elected Republican George Allen to be Governor of the State with a mandate, among other things, to reform Virginia's welfare reform program. At that time, the average welfare recipient received about \$291 per month in food stamps, Medicaid, and other ancillary benefits like transportation and child care assistance, which has been talked about here earlier. The former system, however, penalized individuals for working, getting married, and saving money. We realized that the best intentions of the former welfare plan had done more to keep people in poverty than to help them out of it. It created a greater dependence on government than on one's self, one's family, or one's community. Welfare programs rewarded people for dys-

functional behavior that tore families apart rather than bring them together.

I am proud to say that 1½ years prior to the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Virginia passed and began to implement our historic Virginia Independence Program.

In the past 3½ years, Virginia has experienced unprecedented success in moving welfare recipients to work while re-instilling the values of personal responsibility. Virginia's welfare caseload has declined 51 percent from 73,000 families to under 36,000 families on welfare. More than 73 percent of the VIEW participants are working and 90 percent of those are working in full-time, unsubsidized employment. VIEW participants are averaging wages in excess of \$834 per month, which is almost triple the average welfare payment of \$291.

Virginia's welfare recipients have earned and contributed more than \$130 million back to Virginia's economy through employment, therefore becoming taxpayers and consumers, not tax burdens. Virginia's welfare reform program and success are greatly attributed to the enormous support and efforts of the local communities and businesses. Virginia has created hundreds of partnerships with each facet of the community, nonprofit organizations, businesses, and faith based organizations to provide the necessary support and services needed by welfare clients to achieve lasting employment and self sufficiency.

Despite these clear successes, there are some critics who want to claim that welfare reform has failed. These are people who argue against mandatory work requirements and the use of sanctions to change behavior. These opponents initially paint vivid and horrifying pictures of women and children being cast adrift in a sea of public indifference. An example of this would be where estimates of a million children would be thrown into poverty and homeless shelters would be exploding with all of the women and children.

This indeed has not happened in Virginia. I doubt that it has happened throughout the United States. By any standard of empirical, anecdotal, or statistical measure, the conservative pro-family welfare reform initiatives implemented in Congress and by the Republican Governors have been an overwhelming success.

There are, however, a few things that Virginia recommends in the continued implementation of welfare reform, and I will touch on those briefly. Federal work participant rates do not measure outcome. These work participation rates that States must meet in order to receive full TANF funding is a process rather than an outcome measure and does not measure the number of individuals who have left welfare for work or have been diverted from welfare rolls. Many States, including Virginia, have seen significant caseload declines and many individuals who have gone to work and are now successfully supporting their families with higher income than when they were on welfare.

However, under the Federal participation rate requirements, States are actually given more credit for keeping someone in a subsidized job and on welfare than for placing that person in a job with a sufficient income so that he or she no longer is eligible for cash assistance.

Second, flexibility is needed in the food stamp program. In the era of welfare reform, the food stamp program remains an old style entitlement program with its major emphasis on being payment accuracy rather than on measurement of outcomes, such as increased nutrition or movement of clients beyond dependency. To come in line with the direction taken in the TANF program, several changes are needed.

First, we would recommend amending Section 17 of the Food Stamp Act to allow the Secretary of the Department of Agriculture to approve a broader array of waivers. Second, we would urge the committee to consider expanding the definition of cost neutrality in the waiver approval process to take into account savings over multiple years and in all Federal programs rather than in measuring cost neutrality over 1 year limited to the food stamp program alone.

In closing, Virginia's last recommendation to this body would suggest that you continue to provide maximum flexibility to States so that they can identify and solve the problems unique to their individual populations. What is vital to the citizens in the Commonwealth of Virginia is that you do not retreat from the foundational principles of work first and time limited assistance. By any measure, it is clear that all of the people of Virginia have benefited from this program. I thank you again and I would be glad to entertain any questions at the appropriate time.

Mr. BURTON. Thank you, Mr. Allen.

[The prepared statement of Mr. Allen follows:]

**The Honorable Claude A. Allen
Secretary of Health and Human Resources
Commonwealth of Virginia**

**TESTIMONY ON WELFARE REFORM
THE 106TH CONGRESS GOVERNMENT REFORM COMMITTEE
ON APRIL 22, 1999**

Introduction

Mr. Chairman, members of the Committee, it is indeed a pleasure to come before you today representing the wonderful people of the Commonwealth of Virginia and their Governor Jim Gilmore.

In November of 1993 the citizens of the Commonwealth elected republican Governor George Allen with a mandate to, among other things, reform the states welfare program. At that time the average welfare recipient received \$291 per month, food stamps, Medicaid, and other ancillary benefits like transportation and child care assistance. The former system penalized individuals for working, getting married, and saving money.

We realized that the best intentions of the former welfare plan had done more to keep people in poverty than help them out. It created a greater dependence on government than on oneself, ones family, and ones community. Welfare Programs rewarded people for dysfunctional behavior that tore families apart, rather than bring them together. I am proud to say that one and half years prior to the passage of the Personal Responsibility and Work Opportunity Reconciliation Act in October 1996, Virginia passed and began to implement our historic Virginia Independence Program.

Virginia's Success Stories

In the past three and half years, Virginia has experienced unprecedented success in moving welfare recipients to work and re-instilling personal responsibility.

- Virginia's welfare caseload has declined 51%, from 73,000 families to under 36,000 families on welfare.
- More than 73% of VIEW participants are working and 90% of those working are in full-time unsubsidized employment.
- VIEW participants are averaging wages in excess of \$834 per month, which is almost triple the average welfare payment of \$291 per month.

- Virginia's welfare recipients have earned and contributed more than \$130 million back to Virginia's economy through employment, therefore, becoming taxpayers and consumers, not a tax burden.

Virginia's welfare reform program and success are greatly attributed to the enormous support and efforts of local communities and businesses. Virginia has created hundreds of partnerships with each facet of the community - non-profits, businesses, and faith-based organizations to provide the necessary support and services needed by welfare clients to achieve lasting employment and self-sufficiency.

Despite these clear successes, there are some critics who want to claim that welfare reform has failed. These are people who argued against mandatory work requirements and the use of sanctions to change behavior. These opponents initially painted vivid and horrifying pictures of women and children being cast adrift in a sea of public indifference. Example: There were some who estimated that 1 million children would be thrown into poverty, and homeless shelters would be exploding with vulnerable women and children.

By any standard of imperial, anecdotal, or statistical measurement, the conservative, profamily welfare reform initiatives implemented in Congress and by the Republican Governors have been an overwhelming success.

There are a few things that Virginia recommends in the continued implementation of welfare reform.

- **Federal Work Participation Rate Does Not Measure Outcomes**

The work participation rate that states must meet in order to receive full TANF funding is a process rather than an outcome measure and does not measure the number of individuals who have left welfare for work or who have been diverted from the welfare roles. Many states, including Virginia, have seen significant caseload declines and many individuals who have gone to work and are now successfully supporting their families with higher income than when they were on welfare. However, under the federal participation requirements, states are actually given more credit for keeping someone in a subsidized job and on welfare than for placing that person in a job with a sufficient income so that he or she no longer is eligible for cash assistance.

- **Flexibility is Needed in Food Stamp Program**

In the era of welfare reform, the Food Stamp Program remains an old style entitlement program, with its major emphasis being payment accuracy rather than on measurement of outcomes such as increased nutrition or movement of clients beyond dependency. To come in line with the direction taken in TANF, these changes are needed to the Food Stamp Act: (1) Amend Section 17 of the Food Stamp Act, to allow

the Secretary of the Department of Agriculture to approve a broader array of waivers.
(2) Expand the definition of cost neutrality in the waiver approval process to take into account savings over multiple years and in all federal programs, rather than measure cost neutrality over one year in the Food Stamp Program only.

In closing Virginia's last recommendations to this body would suggest that you continue to provide maximum flexibility to states so that they can identify and solve the problems unique to their individual populations. What is vital to the citizens in our state, is that you do not retreat from the foundational principles of work-first and time-limited assistance.

By any measure, it is clear that all of the people of Virginia have benefited from this approach. Thank you, I would be glad to entertain any questions at this time.

Mr. BURTON. Mr. Poole, we would love to hear from you next.

Mr. POOLE. Thank you, Mr. Chairman. Mr. Chairman and Members of Congress, on behalf of the Florida WAGES Board and the Governor, Jeb Bush, I thank you for giving the opportunity to share my experiences and insights gained in the implementation of welfare reform in our State.

The State of Florida began implementing welfare reform on October 1, 1996, approximately 2½ years ago. The Florida Legislature passed the WAGES law prior to the Federal Personal Responsibility and Work Opportunity Act. Of chief importance, our welfare program was designed with strong philosophical foundation and substantial program flexibility.

The philosophy is best described as local control, local responsibility. I have discovered, though, that while control is always embraced, responsibility is often avoided. Individual and community acceptance of responsibility is a learning experience, and although it has been difficult, we have succeeded because of the willingness of community leaders to sacrifice and contribute countless hours to helping neighbors on the road to work and self-sufficiency.

The organizational structure of our effort is unique. In essence, the State WAGES Board acts as a holding company that oversees 24 subsidiaries we call the local WAGES coalitions. State WAGES Board is comprised of 17 members, 9 of whom are volunteers with diverse business and leadership backgrounds. The remaining members represent various State departments and agencies and State-sponsored economic development partnerships. An organizational chart, I believe, has been provided to you.

On the local level, welfare reform in Florida is implemented through 24 local WAGES coalitions comprised of volunteer business and community leaders who are responsible and accountable for overseeing the design, delivery and funding of services. You can say that no two organizations, by the way, are the same; all service deliveries are different across the board.

A fundamental factor behind our success is the enormous flexibility that these local communities have in addressing barriers in helping people become self-sufficient. We all work together under common guiding principles. We are customer-focused, community-based, outcome-driven. We try to be caring communities, including our business leaders who are engaged in the process, and we are flexible and open to new ways and innovations. The board sets the policy, the local coalitions implement it, and we all work together in focusing on the results.

Some of the successes that we have accomplished are these: The number of families subject to time limits and work requirements has declined by 71 percent as of today. We do lead the Nation's eighth largest State in welfare caseload declines and people in Florida staying on welfare for shorter periods of time, decreasing from 23 months to 14 months.

We just finished research on 45,000 families, which we were told is the largest study of families leaving welfare in the country, and we found that 75 percent of those who have left WAGES report that they have found employment. They are stable. In fact, 60 percent of those who found employment are still in the same job that

they left welfare for. Approximately 60 percent left the welfare rolls due to employment or earnings.

And as it relates to sanctions, we found that only 8 percent have left welfare due to noncompliance with the program. And although these highlights point to good success, we do have concerns. Most of our workers earn between \$6 and \$7 per hour, and this is not a wage that will allow self-sufficiency in our State. The majority of those who have left welfare for work are working in jobs without health benefits.

And many people are unaware that they might qualify for other governmental assistance programs, such as food stamps and child care and housing, et cetera, when they do leave welfare because they consider welfare being any benefit that they receive from the government. It is to say that we are in the process of looking at these issues and concerns and are trying to find ways to improve those areas.

I do want to highlight three issues. Governor Thompson, before us, hit on the new regulations, and there are three issues that we have. I won't go into detail, but do want to highlight them.

The way we are interpreting the law prevents us from using the reserve funds to serve families who are off of welfare. It seems that we are also having to account for them as two different funding sources, the current funds and the reserve funds, the unspent money. So I would ask you to look at that interpretation. Maybe we are wrong in the interpretation. Whatever you could do to help us with that.

Another one is the interpretation of the adjustment to the participation rate requirement that the States receive for caseload reduction. And I would ask you to look at that issue and the regulations requiring extensive reporting. They have increased the elements from 60 to, I believe, over 200, and we are just wondering how much paperwork again do we have to have to show results.

On the areas of innovations in our State, because of the entrepreneurship, it is kind of hard to go into all of them, so I would ask to you look at the paperwork we provided on these, because what I want to do is shift my remaining time to recommendations to have you all look at.

One is I would like you to look at the redefinition of poverty. It is an old definition. It has been created back in, I believe, the 1940's and the 1950's and underestimates what it costs to be in poverty or the level of poverty. It is archaic. It doesn't have any relevance to today's economics, and you should look at that issue.

I think that we should allow remedial education to count as a work activity. It is hard to put someone into a job and have them on the road to self-sufficiency if they can't read, write or do math. And as long as it is within the work element, that should be counted as a work activity.

We need to start redefining economic development. Currently economic development is viewed as job creation. We need to broaden our definition to embrace the concept of improving the income of the working poor.

I would like you to look at—welfare reform in reality is really an expanded version of the unemployment compensation program that we have. The common denominator to both programs is require-

ment to seek work. The only difference is the level of benefits one receives. And I would encourage to you explore how the public and private side of welfare reform and unemployment compensation can work together.

I believe that to implement the successful policy of welfare reform and other governmental assistance programs, I think some of the work-first ideas that have worked on this cash payment program could work related to housing and food stamps and other what I would call welfare programs that the government provides.

I would also look at the distribution systems of our welfare system, and that is, why not combine food stamps and housing subsidies and child care subsidies into one income stream? It would make sense. It is more efficient. Companies do this all the time, and I think that we can work up some common philosophies like the earned income tax credit, which is probably the most direct welfare program that we have in our country. We would save a lot of time and money in helping people.

And last, I would encourage to you look at the issue of the living wage, and I want to hasten to point out that to me this is not raising minimum wage. I don't think that is the right way. But we can do things to encourage businesses to pay a living wage. It costs a lot of our communities every time a job is created that doesn't pay a living wage. Someone has to subsidize that family, and one way that you all might help in doing that is to award extra points to a company bidding on a contract that shows and demonstrates that they are paying their employees a living wage, which might include health benefits.

I thank you for your comments and look forward to your questions.

[The prepared statement of Mr. Poole follows:]

COMMITTEE ON GOVERNMENT REFORM

National Problems, Local Solutions: Federalism at Work
Dan Burton, Chairman

Testimony of Michael W. Poole, Chairman, Board of Directors, State of Florida Work and Gain Economic Self-Sufficiency (WAGES) Program

Date: April 22, 1998

Testimony

Chairman Burton and Members of Congress, on behalf of the Florida WAGES Board and Florida Governor Jeb Bush, I thank you for the opportunity to share my experiences and insights gained in the implementation of welfare reform in our State.

The State of Florida began implementing welfare reform on October 1, 1996, approximately two and half years ago. The Florida Legislature passed the WAGES law prior to the federal Personal Responsibility and Work Opportunity Act. Of chief importance, our welfare reform program was designed with a strong philosophical foundation and substantial program flexibility.

Philosophy and Organization

The philosophy is best described as "Local control, local responsibility". *I have discovered that while control is always embraced, responsibility is often avoided.* Individual and community acceptance of responsibility is a learning experience. And although it has been difficult, we have succeeded because of the willingness of community leaders to sacrifice and contribute countless hours to helping neighbors on the road to work and self-sufficiency.

The organizational structure of our effort is unique. In essence, the State WAGES Board acts as a holding company that oversees 24 subsidiaries we call Local WAGES Coalitions. The State WAGES Board is comprised of 17 members, nine of whom are volunteers with diverse business and leadership backgrounds. The remaining members represent various State departments and agencies, and State-sponsored economic development partnerships. An organizational chart has been provided with your materials.

On the local level, welfare reform in Florida is implemented through 24 local coalitions comprised of volunteer business and community leaders who are responsible and accountable for overseeing the design, delivery and funding of services. A fundamental factor behind our success is the enormous flexibility that these local communities have in addressing barriers and helping people become self-sufficient.

We all work together under common guiding principles:

We are Customer Focused, Community-Based, and Outcome Driven. Our Communities Care. Our Business Leaders are engaged, and we are flexible and open to new ways and innovations.

Successes and Concerns

Since WAGES was implemented in 1996, Florida has made remarkable progress:

- The number of families subject to time limits and work requirements has declined 71 percent! -- From 152,000 families to 45,000 families.
- Florida leads the nation's 8 largest states in welfare caseload declines.
- People in Florida are staying on welfare for shorter periods of time -- from an average of 23 months in July 1996 to just 14 months in July 1998.
- Research results just released by WAGES Board in the most comprehensive state study ever undertaken of families (4,500) that have left the welfare rolls in the past two years indicate that:
 - Nearly 75% of those who left WAGES report that they have found employment. The majority of these people are working full time.
 - More than 60% of those employed have stayed in the same job.
 - Approximately 60% left the welfare rolls due to employment or earnings.
 - Only 8% left welfare due to non-compliance.

Although these highlights point to a successful implementation of welfare reform in Florida, our research also raises important concerns:

Concerns:

- Most workers earn between \$6 - \$7 per hour -- this is not a wage that allows self-sufficiency.
- The majority of those who have left welfare for work are working in jobs without health benefits.
- Many people are unaware that they might qualify for other governmental assistance programs such as: food stamps, childcare, housing, etc. -- benefits that can help a family make ends meet.

We are in the process of addressing these issues.

New Regulations

Before I highlight some of Florida's innovative initiatives and suggest issues for you to consider in federal government reforms, I must address three issues regarding the final federal rules on welfare reform that were recently released.

- 1) **The rules interpret federal law to prevent us from using reserve funds to serve families who are off welfare.** The law passed by Congress allowed states to retain block grant funds without fiscal year limitation. The rules specify that funds reserved from prior years can only be spent on assistance such as welfare benefits. We are prohibited from using these reserve funds to provide childcare, transportation or support services for families who are employed. This interpretation of law may be correct, but it will inhibit our ability to help families retain employment and to reduce welfare recidivism.

It also adds significant complication to the administrative task of tracking funds. Once you have to track federal funds for prior years differently from current year funds, the complexity increases exponentially and flexibility goes down—which we believe is counter to the intent of the original legislation. If HHS has correctly interpreted the statute, I urge you to modify it to allow us to use the funds with the flexibility we had under the prior interpretation.

- 2) **Another concern is the interpretation of the adjustment to the participation rate requirement that States receive for caseload reduction.** As I mentioned, Florida's caseload reduction has been the highest of the largest states and we think it's fair that the State receive credit for that achievement. The regulatory impact is complicated and I've addressed some of the specifics in my written comments, but our reading of the regulations is that HHS has taken the burden of proof you placed on the federal agency and transferred that burden to the States. If changes are needed to the law to give us the credit we thought you gave us in the 1996 law, we encourage you to clarify the statute.

- 3) **The regulations require extensive reporting requirements.** HHS issued emergency regulations related to those requirements. From its analysis (on page 17,859) of the regulations, there were 68 required data elements. Its proposed regulations increase the requirements to 338 elements. The final rules reduce this requirement to 232. The increase from 68 to 232 elements concerns us greatly. Over 140 of the required elements concern recipients. That's 140 X 45,000 families with over 130,000 individuals. The more time we spend gathering data to satisfy federal data requirements, the less time we spend helping families successfully transition from welfare to work and self-sufficiency.

In reviewing the regulations, please keep asking the question: "What results do we want and how do we measure them?" These questions have helped us to reduce our

required performance measurements from approximately 30 to only 6. I have hope that we can reduce this number even further.

Innovations

You can find innovation in every Local WAGES Coalition in Florida. The entrepreneurial spirit is fostering a “can do” attitude in our communities. Citizens are again recognizing that they are responsible for the quality of life in their communities. Not Tallahassee. Not Washington, D.C.

Florida is a national pacesetter. We are redefining and redesigning at various levels, and developing innovative approaches to serve clients and address issues from transportation and teen pregnancy prevention to job placement and retention. I urge you to further review Florida's:

- Organizational structure
- Performance Measures
- and WAGES 1998 Annual Report

We are working to shift WAGES from the social services sector to the economic development arena. Florida has made important strides in this regard, most recently by becoming the first State to establish a formal alliance with the national Welfare-to-Work Partnership. This represents a direct effort to enlist and assist state business leaders as champions of the welfare-to-work effort.

Additionally, we are supporting a pilot project through the Central Florida Chamber of Commerce, to design a more effective job placement and referral mechanism, educate businesses about the needs of the “working poor,” and engage them as leaders in the community dialogue about paying a living wage. We know through these business initiatives that WAGES and welfare-to-work has a pivotal and positive role to play in creating the workforce of the next millennium.

Recommendations for Change

- 1) **Redefine Poverty.** The calculation used to determine poverty is outdated. Since most, if not all, government assistance programs rely on this archaic formula for determining who shall receive assistance, actual needs are underestimated, and consequently, many who genuinely need assistance are denied.
- 2) **Allow remedial education to count as a work activity.** If someone does not possess basic reading, writing, and math skills, there is little—if any—real hope of economic advancement.
- 3) **Redefine Economic Development.** Currently, economic development is viewed as job creation. We need to broaden our definition to embrace the concept of

improving the income of the working poor. Avoid averages when looking at this issue. Remember that "average" is a "C" in school. The people at the bottom of the economic food chain do not have average income.

- 4) **Welfare reform in reality is really an "Expanded Version of Unemployment Compensation Program".** The common denominator to both programs is the requirement to seek work; the only difference is the level of benefits available. I encourage you to explore how we might blend the private-sector unemployment program with welfare reform and other government assistance programs.
- 5) **Implement the successful policies of welfare reform in other governmental assistance programs.** We need to recognize that all government assistance programs are "welfare". And, therefore, we need to transfer the success of the Personal Responsibility Act to able-bodied adults receiving benefits such as housing and food stamps.
- 6) **Combine all governmental (welfare) assistance programs into one benefit stream.** The purpose of all governmental welfare programs is to raise the income of a family or individual to self-sufficiency. In essence, welfare programs fund the gap between what one needs to make ends meet and what one has.

Advocacy of the poor has resulted in line item funding for food, housing, health care and every other household expense. While we applaud the advocacy, these "solutions" have created a highly inefficient and complex system of delivering benefits. The formulas and rules for each program are different and can be quite confusing and frustrating to the customer. A single benefit stream would increase effectiveness, efficiency and reduce costs. The Earned Income Tax is the most direct and efficient welfare reform program of the federal government. This might be the appropriate delivery vehicle for a unified welfare program.

- 7) **Encourage a Living Wage.** Every time a household falls below the level for self-sufficiency, the community or state and federal government makes up the difference. When a company creates a job that fails to pay a living wage, both the employee and business shift the cost to you and me. The employee requires government assistance, while the company obtains labor below its true cost.

You can lead the national dialogue and educate businesses and communities about this hidden cost. You can encourage companies to pay a Living Wage by giving extra points when awarding of governmental contracts.

This concludes my formal remarks, Chairman Burton. Again, I thank you and the Members of Congress for this opportunity.

Mr. BURTON. Before I go to the next witness, let me say that any recommendations that you have, if you can be sure to give them and condense them as much as possible. People send us volumes of things, and we just don't have the time to go into them all, even our staff. So if you can condense, give us the Henny Youngman one-liners, and we will see if we can do something to accommodate you as much as possible.

Let me go to Mr. Primus. I know you have to catch a plane.

Mr. PRIMUS. I am fine. I have to leave by 1:20.

Mr. BURTON. Oh, you are in good shape.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman. First I would like to give you two one-liners on food stamps. I agree with Mr. Allen's remarks that food stamps is an archaic program in the sense that its proponents argue that it really isn't welfare, that it is a nutrition program. But studies show that food stamp recipients use the money just the way they use cash. And, in fact, if you look at what the amount of food and the kind of food that people who receive food stamps use it on, you find that both people who have income from food stamps and others in studies where cash has been given instead of food stamps end up both having the same amount of food and getting the same amount of nutrients, calcium, protein, vitamin B.

We need to look at food stamps like it is. It is a welfare program. And what I would like to suggest to this committee is that food stamp benefits should be merged with cash assistance and made possible to impose the same kinds of work and other requirements that we at the local level have as a condition of receiving cash assistance for food stamps. Right now the Federal food stamp rules don't permit that. And I will send you a very short summary of how those changes could be made.

Mayor Giuliani has reduced the number of welfare recipients in New York City by over 450,000 individuals, over a population greater than the size of the second largest New York State city, that is, Buffalo. At this point, 1 in 17 households in the city of New York is a household that was receiving welfare benefits in prior administrations and now is free from welfare. That is quite a number.

In July, the mayor went further. He said he wanted all individuals who were receiving welfare benefits to be engaged in work activities for 35 hours a week or 35 hours a week as a standard, meaning that typically 3 days out of the 5 would be in work experience programs in various things like working in the parks or working in the courthouses, cleaning and so on, or doing other things that are making New York City more beautiful, and the other 2 days would be in other activities leading to immediate employment.

Your 1996 welfare reforms, the U.S. Congress, although they make it—although we have a lot of work to do to get to our objective, gave us a clean and clear run for the end zone so we can actually do what we want to do to meet that objective of the mayor's because of the reform that it is Congress gave us, and we appreciate that very much.

I think what you are going to hear over the next several years in playing out the debate as to whether the reforms were a good idea or not, is many individual anecdotal examples of things where

individuals supposedly are falling through the cracks. But let me describe a way to interpret those anecdotes that you are going to hear in a way that I think makes sense for us.

You heard from Governor Thompson, and as he mentioned, the New York Times is doing an in-depth 1-year study of Wisconsin's reforms. About a month ago, there was a front page article in the New York Times in which a grandmother was confronting her daughter in a jail who had given up her daughter, the mother's daughter, to the grandmother because she was not following through on her work assignments and had no income. And you saw in the news article the grandmother insisting that the mother in jail was not meeting her responsibilities and that she was burdened with this young child. And I think the news article's cast on that was that this was somehow a necessary failure as we move to welfare reform.

Actually, I saw that article in a different way. It was a success in this sense—in this important sense: What we have done is shift the anonymous giving through welfare where people were not responsible to each other, even within families, and we have made individual mothers responsible and fathers, for working in exchange for benefits.

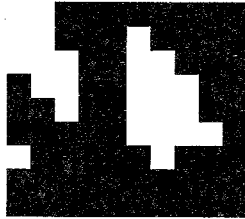
And when they failed to do that, what you are finding is interactions between parents, grandparents, and children and mothers. And it is a constructive reorganization of responsibility within the family unit which is actually making people responsible to one another. So I would encourage this committee not to be overly concerned when they hear stories which actually are part of the solution in the long run to responsibility.

Finally, I want to just say that I am heartened to hear and agree with many of the others who say the first job that you get, even if it is a minimum wage job, is a way out of poverty. In New York State now, because of welfare reforms and the earned income tax credit, even a mother with two children going from no job on welfare below the poverty line to only 20 hours of work at minimum wage, that is like the lowest threshold in the private sector you could imagine, the mom and two kids brings their family out of poverty when you include the earned income tax credit and the residual amounts she receives still on welfare, plus Medicaid and other things.

So the real solution is to move people into early employment at first possible opportunity and that is the way to make steps up the ladder, not to withhold people while they go through some extended training program hoping to get a so-called living wage. Let us get them into early employment, and then they will move up. Thank you.

Mr. BURTON. Thank you, Mr. Turner. And that deductive reasoning you used in looking at that article, I think I agree with. It shows that it is putting family pressure, trying to get people to do the right thing. I think it is great.

[The prepared statement of Mr. Turner follows:]



HUMAN RESOURCES ADMINISTRATION
180 WATER STREET
NEW YORK, NEW YORK 10038

TESTIMONY
OF
JASON A. TURNER
ADMINISTRATOR/COMMISSIONER
NEW YORK CITY
HUMAN RESOURCES ADMINISTRATION

BEFORE THE

HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM

ON
NEW YORK CITY'S WELFARE REFORM

APRIL 22, 1999

Thank you for the opportunity today to present some of the results we have experienced due to Mayor Giuliani's welfare reform initiatives, and to talk about his vision for the future.

Federal social programs often contain within their dry budgets and rules an implied understanding of the nature of a given social problem for which the program is a response. For years the federal rules which made up the old AFDC program contained an assumed understanding of what was needed. The assumption contained in the old AFDC program was that poverty, which is nothing more than the absence of a given level of income, was the central causative factor for deficits in family well-being. The presumed remedy was income transfers through various federal programs, and this misguided idea reached its zenith in the late 60's and early 70's when Richard Nixon and George McGovern each proposed national income transfer programs. At last this idea gave way to a healthier premise - one based on the social contract with the goal of family economic self-sufficiency.

Upon taking office in 1994 Mayor Giuliani acted quickly to re-orient the failed New York City welfare system to conform to his healthier vision. The welfare caseload in New York had grown from about 300,000 dependent individuals in the early 1960's to almost 1.1 million only ten years later, never to dip below 800,000 until recently. Since the Mayor began his reforms, the welfare caseload has dropped by more than 450,000 individuals, or larger than the entire population of New York's second largest city, Buffalo.

Two of the mayor's early initiatives helped set the stage for this dramatic decline. The first was the introduction of finger imaging and a thoroughgoing process of eligibility determinations to assure that only those who qualified for help received it. The second was the introduction of what has become the largest work-based cash assistance system in the country. The Work Experience Program, or WEP as it is known, provides work opportunities to over 30,000 individuals every day. WEP participants contribute to a better life for all New Yorkers by providing services ranging from helping to make the parks more beautiful to helping offices run more efficiently and effectively.

Last year the Mayor went further. He announced that he would transform all welfare offices into Job Centers. This was more than a name change. Job Centers differ from welfare offices in that all applicants for benefits look for work, or alternatively, they are enrolled in a work program immediately when they seek assistance. This assures that the emphasis is where it should be - work as the means for providing family income. To date thirteen Job Centers are open, covering 55% of the city. Eventually *all* individuals will be expected to work to their capabilities, with special work and vocational arrangements made for those of limited abilities.

With the emphasis having changed in New York so that the measure of success for cash assistance programs is the degree to which beneficiaries are able to achieve self-reliance,

the Mayor is taking the next philosophical step. He is extending work as the central obligation in exchange for receiving other means tested program benefits. The Mayor recently incorporated the expectation of work to one's capacity to those adults living in city homeless shelters. After having settled in, homeless adults will be expected to enroll in work programs through the Job Centers as a condition of their continued eligibility. Work supports and special arrangements will be made available to assure that all homeless individuals have the opportunity to succeed.

The Mayor received extensive attention for his call for the gradual reduction in the use of methadone maintenance as a form of drug treatment. Consistent with his view that continued methadone use is a form of drug dependency with some of the same long-term problems as economic dependency, he called for the introduction of work as an essential part of drug treatment therapy. The New York City public hospitals have been the first to adopt this approach.

And in his State of the City address last January the Mayor announced that he would develop preferences for people engaged in work to fill residential vacancies in the City's public housing developments, to strengthen both the sense of independence and the feeling of community among public housing residents.

In short, New York is moving away from individual programs with separate requirements to one in which for those seeking assistance, work is an integral expectation.

In order to carry out this ambitious agenda, increased program performance is essential. Under the Mayor the New York City police department was the first to use precinct accountability along with timely performance data in a process called "Compstat." The Mayor made precinct commanders fully accountable for results in their zones, with regular meetings to assess performance. At the Human Resources Administration we have adapted that concept into "Jobstat," or the statistical compilation of work and welfare data by Job Center area. Twice a month at least two Job Center directors make presentations to top central office management staff. A creative problem solving session results in solutions and movement toward the Mayor's goal of full engagement in work activity.

With the new federal welfare reform law fully in place, New York is moving full speed ahead, exchanging ideas with other states and cities just as planned and expected by the Congress when PRWORA was enacted. One program difficulty we continue to confront, however, is the USDA's failure to update their outmoded regulations to conform to the new law. More than two years after the passage of the welfare reform law, the Food and Nutrition Service has yet to issue conforming regulations. Of particular concern is the FNS's insistence that the states and counties "encourage" applicants to enroll in the food stamps program. No such concept exists by word or implication in the current law, and in fact this notion runs exactly counter to the new law's goal of promoting work and self-reliance. We have insisted that USDA reform and rewrite its outmoded regulations to conform to the new law.

In conclusion, Mayor Giuliani is using all the authorities granted by the Congress to promote family self-sufficiency. The Congress did admirable work when it made this possible.

Crotona (46) Engagement Report

Crotona Job Center

Citywide

	AB/PA Cases	Engage	Temporarily Engaged	Engaged	Safety No	AB/PA Cases	Engage	Temporarily Engaged	Engaged	Safety No
	#	#	#	#	#	#	#	#	#	#
TOTAL ACTIVE CASES - ANYWAY	17,344	15,338	147	2,005	98,679	300,627	201,948	1,774	5,674	98,679
Active Single Entry Cases	273	147		126	5,674	7,243	1,774		5,674	98,679
UNDEVELOPED	1,230	2,035	291	48	19,381	53,325	33,944	4,335	19,381	19,381
Case Head on SSI	181	127		48	4,335	7,476	3,240		4,335	4,335
Child Only Cases (18 and under)	1,049	1,799	12	12	5,946	20,849	14,704	5,946	5,946	5,946
Case Head Age 40 or Over	331	121	212	212	9,399	10,830	7,704	9,399	9,399	9,399
TEMPORARILY ENGAGED	901	628	273	45	13,813	19,865	7,182	13,813	13,813	13,813
Temporarily Unemployed - Health	358	313		45	3,220	7,601	2,621		3,220	3,220
Child Under 3 Months	118	125	3	3	62	1,444	1,382	62	62	62
SSI Pending/Waiting	175	190	185	185	9,121	11,606	2,457	9,121	9,121	9,121
ENGAGED	5,096	4,331	645	421	31,497	87,931	56,413	31,497	31,497	31,497
Unemployed	7,797	4,402	28	421	22,378	59,028	36,721	22,378	22,378	22,378
Substance Abuse Residential Treatment	6	2		4	4,861	4,861	37	4,861	4,861	4,861
Employment - Court Diversion	37	27		3	385	265	35	385	385	385
Employment	1,245	1,189	14	14	16,539	20,134	16,539	16,539	16,539	16,539
OTHER PARTICIPATION	1,585	1,731	224	5	9,119	20,812	19,693	9,119	9,119	9,119
Education/Training/Research	286	215		5	256	3,600	2,347		256	256
Student (Child only) over 13	701	697	4	4	6,448	6,448	6,448	6,448	6,448	6,448
Substance Abuse Treatment	151	151	151	151	4,999	4,999	4,999	4,999	4,999	4,999
Medical/Therapeutic	889	739	150	150	1,666	1,666	1,666	1,666	1,666	1,666
Family & Personal Life Skills										
Reliable Medical										
IN SANCTION PROCESS	3,524	3,331	193	193	7,271	45,182	37,911	7,271	7,271	7,271
Consultation/Conference/AMI	2,522	2,732	199	199	7,198	27,499	20,801	7,198	7,198	7,198
Sanctions In Effect	602	599	3	3	73	740	740	73	73	73
UNENGAGED	5,294	4,616	478	194	22,243	86,977	66,754	22,243	22,243	22,243
DEFERRED TEMPORARILY EXUSED	721	537	194	194	7,634	14,054	6,430	7,634	7,634	7,634
Child Care Needed						42	33		33	33
ASS Pending Assessment	377	312	105	105	6,035	9,405	3,370	6,035	6,035	6,035
MAC Pending Assessment	344	316	29	29	1,471	4,320	2,849	1,471	1,471	1,471
Pending Available REP Assignment						287	176		89	89
AWAITING ASSIGNMENT	4,474	4,193	281	115	13,642	66,055	52,413	13,642	13,642	13,642
Calcare Assignment Scheduled	1,178	1,163	115	115	6,706	27,349	20,551	6,706	6,706	6,706
New Care Available Scheduling	941	930	40	40	1,448	7,989	6,399	1,448	1,448	1,448
Program	238	210	15	15	308	2,890	2,380	308	308	308
Undercare Available Scheduling	2,451	2,214	111	111	5,018	18,000	13,179	5,018	5,018	5,018
UNKNOWN	99	96	3	3	977	6,888	5,911	977	977	977

Crotona, #46¹

JOBSTAT Job Center Statistical Report

March 1999

	A		B		C		D		E		F		G		H	
	Current Month	Current Month	Current Month	% chg	YTD FY 1999	YTD FY 1998	% chg	YTD FY 1999	YTD FY 1998	% chg	YTD FY 1999	YTD FY 1998	% chg	YTD FY 1999	YTD FY 1998	% chg
1. Reported Job Placements ^{2,3}	January 1999	302	January 1998		1,965	1,965	2.0%	Jul 98-Jan 99	Jul 97-Jan 98		28,951	28,310	2%	Jul 98-Mar 99	Jul 97-Mar 98	
2. % of Engageable Case Head Placed	March 1999	2.2%	March 1998	1.5%	233	18%	1.0%	Jul 98-Mar 99	Jul 97-Mar 98		19,384	26,121	-26%	Jul 98-Mar 99	Jul 97-Mar 98	
3. Applicant Job Placements ²	March 1999	2.2%	March 1998	1.5%	233	18%	1.0%	Jul 98-Mar 99	Jul 97-Mar 98		19,384	26,121	-26%	Jul 98-Mar 99	Jul 97-Mar 98	
4. % of Seeking Assistance Placed	March 1999	2.2%	March 1998	1.5%	233	18%	1.0%	Jul 98-Mar 99	Jul 97-Mar 98		19,384	26,121	-26%	Jul 98-Mar 99	Jul 97-Mar 98	
5. Closings due to Earnings ²	March 1999	2.2%	March 1998	1.5%	233	18%	1.0%	Jul 98-Mar 99	Jul 97-Mar 98		19,384	26,121	-26%	Jul 98-Mar 99	Jul 97-Mar 98	
6. % of Engageable Case Head Closed	March 1999	2.2%	March 1998	1.5%	233	18%	1.0%	Jul 98-Mar 99	Jul 97-Mar 98		19,384	26,121	-26%	Jul 98-Mar 99	Jul 97-Mar 98	
7. Openings as % of Cases Receiving	March 1999	3.8%	March 1998	2.6%	43%	43%	2.9%	Jul 98-Mar 99	Jul 97-Mar 98		4.5%	4.1%	10%	4.5%	4.1%	10%
8. Closings as % of Cases Receiving	March 1999	5.3%	March 1998	4.2%	26%	26%	3.9%	Jul 98-Mar 99	Jul 97-Mar 98		5.5%	4.8%	16%	5.5%	4.8%	16%
9. Seeking Assistance	March 1999	775	March 1998	607	28%	733	595	23%	Jul 98-Mar 99	Jul 97-Mar 98	16,064	17,006	-6%	Jul 98-Mar 99	Jul 97-Mar 98	
10. Accepted as % of Seeking	March 1999	19%	March 1998	46%	-58%	37%	54%	-32%	Jul 98-Mar 99	Jul 97-Mar 98	43%	49%	-12%	Jul 98-Mar 99	Jul 97-Mar 98	
11. Pending as % of Seeking	March 1999	49%	March 1998	123	113%	153	153		Jul 98-Mar 99	Jul 97-Mar 98	5,982	37%		Jul 98-Mar 99	Jul 97-Mar 98	
12. Received Immediate Needs	March 1999	262	March 1998	20%	67%	21%		Jul 98-Mar 99	Jul 97-Mar 98		5,982	37%		Jul 98-Mar 99	Jul 97-Mar 98	
13. % of Seeking Received Immediate Needs	March 1999	34%	March 1998	20%	67%	21%		Jul 98-Mar 99	Jul 97-Mar 98		5,982	37%		Jul 98-Mar 99	Jul 97-Mar 98	
14. Reversals	February 1999	165	February 1998	171	-4%	234	130	56%	Jul 98-Feb 99	Jul 97-Feb 98	4,691	3,113	57%	Jul 98-Feb 99	Jul 97-Feb 98	
15. Caseload to Reversal Ratio	February 1999	102:1	February 1998	120:1	-15%	80:1	141:1	-43%	Jul 98-Feb 99	Jul 97-Feb 98	63:1	115:1	-45%	Jul 98-Feb 99	Jul 97-Feb 98	
16. Win Rate	February 1999	58%	February 1998	58%					Jul 98-Feb 99	Jul 97-Feb 98	63:1	115:1	-45%	Jul 98-Feb 99	Jul 97-Feb 98	
17. TANF Dollar Error Rate ⁵	November 1999	0.0%	November 1997	0.0%	0%	0%	0.6%	1635%	Oct 98-Nov 99	Oct 97-Nov 97	5.4%	5.5%	-2%	Oct 98-Nov 99	Oct 97-Nov 97	
18. FS Dollar Error Rate ⁵	November 1999	0.0%	November 1997	7.3%	-100%	8.4%	3.1%	171%	Oct 98-Nov 99	Oct 97-Nov 97	8.7%	11.4%	-24%	Oct 98-Nov 99	Oct 97-Nov 97	

1. All statistics reported for the Job Center were generated by combining statistics for Crotona Job Center and the former Tremont Job Center.

2. These figures are cumulative for fiscal year periods indicated. All other figures are averages over the periods indicated.

3. March through June 1998 Job Center new job placement statistics do not include cases closed or reclassified for income on WMS. Both Citywide and recent Job Center new job placement statistics include WMS actions.

4. Immediate Needs issuance statistics are available for December 1997, March 1998, June 1998, September 1998, and monthly beginning in December 1998. Averages are weighted to accommodate data availability.

5. The dollar error rates presented are cumulative figures over the Federal fiscal year based on HRA internal audits and are not comparable with official figures for State and Federal reporting purposes.

HRA Office of Policy and Program Analysis, 4/21/99

Figures are Preliminary and Subject to Further Analysis and Revision

Mr. BURTON. Mrs. Taylor.

Ms. TAYLOR. Good afternoon, Mr. Chairman, and members of the committee. We are pleased to be here today. As a matter of fact, I think we used some of the same innovation and ability in the program to get on the planes and change planes to get here today.

We are grateful for the opportunity to speak to you about the strides we have made in Wisconsin in building a community of work through partnerships with employers in the greater Milwaukee area. Government alone cannot address the challenges of welfare reform. Rather, a broad range of community partnerships must be involved to refocus the welfare to work system. I am pleased to provide the committee with an overview of our experience in establishing linkages with these partners and suggest ways that the delivery of service could be enhanced.

Joining me today are Genevieve Kukla, president of Central Overhead Door Co. in Milwaukee, and Cassandra Tucker who you will hear from in a moment. We are here to provide firsthand testimony of the way in which our program, YW Works, has built a bridge between the cycle of dependency in the former welfare system and the world of personal responsibility and work.

YW Works was formed in 1997 and selected by the State of Wisconsin to be one of the private agencies to manage the Welfare to Work Program in Milwaukee. We did form an entrepreneurial venture with our partner, CNR Health, and Kaiser Group to make W-2 work for participants, employers, and community-based organizations. With over 14 months of experience, I believe that our performance and results deserve to be graded very highly.

As Governor Tommy Thompson indicated in his testimony today, Wisconsin has achieved much success in its historic Wisconsin Works or W-2 program. This program provides assistance to individuals for job preparation, work and support services to enable them to leave the program and become self-sufficient.

Since the inception of W-2, well over 10,000 AFDC recipients began moving into new unsubsidized jobs in Wisconsin. In 1998 alone, YW Works placed 925 people into employment with an average wage of \$6.71 an hour. One of the underlying philosophies and goals of W-2 has been to enhance the ways communities and employers support individual efforts to achieve self sufficiency. We are very proud of the part we have done, but we couldn't have done it without the support of private sector employers such as Ms. Kukla and the determination and discipline of people such as Cassandra Tucker.

Our success lies in the fact that most individuals truly want to become self-reliant members of the work force if they are given the opportunity, the training, and the family support services. And we have seen that borne out.

A key ingredient of our success has been the involvement of not only employers but other community resources, including advocacy groups and community-based nonprofits. They have helped immeasurably in creating an environment that translates into jobs for lower-skilled workers. And the environment is characterized by a new culture in which innovation and reform is rewarded as is individual achievement and effort.

Despite our early success, we must be realistic in terms of the prospect for the future. In the wake of a declining caseload, we are now seeing individuals with more severe barriers to employment. Our continuing challenge will be to improve the network of employment and behavioral health services available to job seekers. We are seeing three factors that will shape our future work participation rates.

The first is that there is a much lower level of job readiness. As our caseloads have declined, so have the skill levels of participants. Measurements such as reading levels and a higher incidence of alcohol and drug abuse and mental illness suggest a need to develop basic skills and to streamline the model for delivery of AODA and other mental health services before a complete transition can occur.

Some of the basic problems are lack of knowledge by the participant on how the system works in terms of getting into services. We have a very active EAP program at YW Works staffed with clinicians who provide basic assessment and referral for both mental health and AODA symptoms.

Consumer education with participants about what they can expect from health care providers is greatly needed. Our staff provides a great deal of one-on-one education and client advocacy within the current system. An initial orientation and well-developed curriculum on what to expect would be an important first step.

I strongly suggest that States and localities implementing welfare reform programs initiate onsite EAP programs at their site and upfront education and orientation on AODA issues and how the health care system works.

Another factor is transportation. We have often experienced supportive employers with a supply of jobs but located in areas unreachable by public transportation. Housing and transit strategies need to be developed to address these problems, and we have seen employers go to extraordinary lengths, including one that just established a \$100,000 pool for us to get workers out to their site in Waukesha.

A final factor is potential economic downturn. We are at near record low unemployment in Wisconsin. So we need to watch what is going to happen as unemployment rates rise to continue to increase people staying in jobs.

One of the other big issues that we have been looking at and working on is trying to get applicable transferable skills in employers's industries and we have been doing a lot of training for specific skills and on-the-job experience. But what we have seen is the wage at placement correlates directly with the amount of training that we can work with a person on before placement.

Particularly if that training is at the employer's site. We have the highest level of wage placement in the Milwaukee area as an agency, and it is because we spend the most on training. Innovative and flexible approaches such as Generation 2 Plastics which the Governor mentioned, and our house project, which Cassandra

is going to mention, give you an idea of new approaches that can be used. But innovation and flexibility is very important or entrepreneurial agencies such as ours the not be able to function. Thank you.

Mr. RYAN [presiding]. Perfect timing, thank you, Ms. Taylor.
[The prepared statement of Ms. Taylor follows:]

TESTIMONY BEFORE HOUSE GOVERNMENT REFORM COMMITTEE

**Submitted By
Julia Taylor, CEO
YW Works, LLC
Milwaukee, Wisconsin**

April 22, 1999

Good afternoon Mr. Chairman and Members of the Committee. I am grateful for the opportunity to speak to you about the strides we have made in Wisconsin in building a community of work through partnerships with employers in the City of Milwaukee. Government alone cannot address the challenges of welfare reform. Rather, a broad range of community partners must be involved to properly refocus the welfare to work system. I am pleased to provide the committee with an overview of our experience in establishing linkages with these partners and suggest ways that the delivery of services can be enhanced.

Joining me today are Genevieve Kukla, president of Central Overhead Door Company in Milwaukee and Cassandra Tucker, who you will hear from in a moment. We are here to provide firsthand testimony of the ways which our program, YW Works, has built a bridge between the cycle of dependency in the former welfare system and the world of personal responsibility and work.

YW Works was formed in 1997 and selected by the State of Wisconsin to be one of the private agencies to manage the Welfare to Work program in Milwaukee. From the outset, we adopted an entrepreneurial joint venture with our partners, CNR Health, Inc., (a firm specializing in employee assistance and behavioral health issues), and the Kaiser Group, Inc. (a private employment and training consulting firm) to make W-2 work for participants, employers and community-based organizations. With over 14 months of experience, I firmly believe our performance and results deserves to be graded very highly.

As Governor Tommy Thompson indicated in his earlier testimony before the committee, Wisconsin has achieved much success in its historic Wisconsin Works or W-2 program. The program provides assistance to individuals with job preparation, work and support services to enable them to leave the program and become self-sufficient.

Since the inception of W-2, well over 10,000 former AFDC recipients began new, unsubsidized jobs in Wisconsin. In 1998 alone, YW Works placed 925 people into employment with an average wage of \$6.70 per hour. One of the underlying philosophies and goals of W-2 has been to enhance the ways communities and employers support individual efforts to achieve self-sufficiency. We are very proud to have done our part, but we could not have done this without the active support of private sector employers such as Genevieve Kukla and the determination and discipline of people such as Cassandra Tucker.

W-2's and YW Works' success lies in the fact that most individuals truly want to become self-reliant members of the workforce if they are given the opportunity, training and family support services. The benefit of our progress is borne out in the participants, their families and within our communities.

Our program, YW Works, has reached out to employers, to other public partners, to community-based and to faith-based organizations in Milwaukee to create a work-based system of temporary support for families.

A key ingredient of our success has been the involvement not only of employers, but of other community resources, including advocacy groups and community-based non-profits. They have helped immeasurably in creating an environment that translates into jobs for lower-skilled workers.

That environment is characterized by a new culture in which innovation and reform is rewarded as is individual achievement and effort. Our experience has been that work-based training combined with career advancement opportunities holds the most promise for providing lower-skilled workers with the tools they need to progress beyond entry-level, low-wage positions.

Despite our early success, we must be realistic in terms of the prospect for the future. In the wake of a declining W-2 caseload, we are now seeing individuals with more severe barriers to employment. Our continuing challenge will be to improve the network of employment and behavioral health services available to job seekers. We are facing three factors which will shape the future work participation rates.

The first factor is a lower level of job readiness. As our caseloads have declined so, too, have the skill levels of participants. Measurements such as reading levels and a higher incidence of alcohol and drug abuse suggest a need to develop basic skills and to streamline the model for delivery of AODA and other mental health services before a complete transition can occur.

The problems start with the participant's lack of knowledge with how to deal with substance abuse issues and what will happen if they admit to a problem. Many women

will not admit to AODA issues because of fear of losing their children to foster care. When they are referred for treatment because of absenteeism or behavioral issues, they are not compliant with treatment because they don't understand what is happening to them and what they can ask for in terms of treatment and treatment plans.

We have a very active EAP system at YW Works staffed with clinicians who provide basic assessment and referral for both mental health and AODA symptoms.

Consumer education with participants about what they can expect from healthcare providers is greatly needed. Our staff provides a great deal of one-on-one education and client advocacy within the current system. An initial orientation and well-developed curriculum on AODA education and treatment would be an important first step. This would include an explanation of client confidentiality.

I would strongly suggest that states and localities implementing welfare reform programs initiate onsite EAP services at their sites and that upfront education and orientation on AODA issues and treatment and consumer education be readily available.

Another factor is transportation. Often we have experienced supportive employers with a supply of jobs but located in areas unreachable by public transportation. Housing and transit strategies will need to be developed to address these problems.

A final factor is the potential economic downturn. While we are at near-record low unemployment levels in Wisconsin, the onset of a recession and a declining pool of entry-level jobs will significantly impact future work participation rates. A related area of concern is the extent to which state governments may be able to weather a recession without significant cuts in programs and services.

One of the biggest challenges remaining for participants, particularly women, in the W-2 program is finding child care they can afford and trust. There is tremendous pressure upon families who are making the transition to work, and an ill child without a place to go means mom or dad must stay home.

One initiative which will be implemented in Milwaukee is called the Healthy Children in Child Care Project. It focuses on providing direct services and preventive health care to ill children in out-of-home childcare whose parents participate in the W-2 program. The objectives include additional training for existing childcare providers on how to manage common acute illness and how to teach preventive health care practices to parents. A pediatric health care provider will rotate between various childcare sites to provide services. At least one pilot site will establish a "sick" childcare room so parents could continue to bring an ill child to a site that is familiar.

Child care assistance for working parents increases the likelihood that they will retain their jobs and not return to the welfare rolls. We have been following the action by the Senate which has recently approved, with bipartisan support, new funding for low income families to help pay for child care. I would encourage members of the House to support this measure to give working families the support they need to help them move from welfare to work.

The private sector will have an ever-increasing role as we shift our sights from short-term challenges to long-term horizons. We recognize the need to communicate the

message of welfare reform to business and to work with industry and key corporate leaders in identifying labor skills which may be in short supply. It is critical that employers share strategies that work well with other employers. Our experience has been that while incentives and subsidies are necessary at the front end, what matters most is the availability of job-ready, responsible employees who are able and willing to learn.

Employers must see applicable, transferable skills in their industry if they are to create jobs and hire participants. Training for specific skills and on-the-job experience is critical.

The federal government can best assist us by providing yet more flexibility as we look to the future needs of the ever harder-to-serve population.

In conclusion, Mr. Chairman, while we have made progress and been at the front end of a sweeping overhaul of the traditional welfare system, we are now moving into uncharted waters. If there is one lesson which has been learned in the experience of YW Works, it is that the opportunity to be entrepreneurial and not tied to strict guidelines and regulations that has made the difference forces. We will certainly face challenges ahead. But by sharing experiences among private and public sector partners, we can meet these challenges. Please keep systems flexible so that policies and practices can be refined as new issues emerge.

Mr. RYAN. Mrs. Tucker.

I think we are going to go with Mrs. Tucker next, and then Mrs. Kukla we will go in the order of the witnesses.

Ms. TUCKER. Good afternoon, Mr. Chairman, my name is Cassandra Tucker. I am currently employed as a project coordinator at Central Overhead Door. I got a job through the YWCA, also through the W-2 project. I know I wrote a lot of things on my paper. Understandably, you know, I have heard a lot of things today that—some I disagree with; some I agree with. But I really, you know, to treat a person with respect and dignity, no matter where they are is, I think, the first principle of anything.

You want someone to be successful, then you treat them as if they were human beings. And being in the W-2 program, I found positive people on the way, yes, but there are negative people out there that hold power. You know, power-hungry people. You understand what I am saying, you know? And they feel that they have your destiny in their hands and they can control your life, and, therefore, if they are controlling your life, you feel like you have no control and therefore you don't.

Now, if you want to empower me—that is what I have been hearing today. You want to empower people like myself. If you want to empower me, it starts with giving me self-respect, dignity. I need to know how to read and write. When I came in the W-2 program I had college under my belt; I had worked a full-time job. I have six children. You know, and I had to find a way to support them when I got divorced.

So, therefore, YW Works came into my life, you know, and it was a positive thing. They gave me the training I needed. Now I am a foreman. I have an all-male crew that is under me, you know, and I get to hire, and I get to fire people. But first it had to start at the basics. They said, you can do it.

Halfway through the program, I am giving up. I am saying, I can't do this. And they were like, yes, you can, you know. And they encouraged me, and they supported me. Yes, they even checked up on me after I got the job. And they still call me, and say how you are doing? Is everything going OK? That is giving somebody a basis, a foundation. And I hear that, that is what you guys are talking about today, that you want to give us the foundation, and a basis. That is the starting point, you know?

I understand they are saying, well we are giving money. There is only 1 cent—I researched this—out of every dollar going to W-2, and it is like where is your other 99 percent going? But you don't look at that. You are saying I am giving you. You are not giving me anything. If I worked for it, then hey, OK, I am on the system for a moment, briefly. You understand?

Some people don't want to be on the system, that is why they go to shelters. That is why they are overloading food pantries, because they are ashamed and they feel that they have been stigmatized. They are not going to get food stamps, nor do they want the medical assistance. Their child could be dying, and their pride is in the way. But yet still we are statistics.

We are figures on pieces of paper. But we are human beings first of all. And I need, you know, to hear—I understand you have done research, but have you been to my neighborhood? You know, have

you checked up on the people that are supposed to be overseeing the program? I mean the social workers, all of those people. Until you come down to the basics, you are not going to have a successful program.

Mr. Thompson said a lot of positive things. And they have been incorporated, you know, into W-2 in Wisconsin. I can only speak for Wisconsin. I don't know about any other State. But they have been incorporated.

But my point is, the necessities are out there. But, yet, still some people are ignorant to the fact that they are there. I need you to help other people to realize that they are there. And when they go there, not feeling as if you, you know, they are just a piece of dirt, honestly, that you decided to sweep up.

Instead of, you know, portraying that issue, you should say, look here I know you are down on your hard luck, hard times now, but we are here to get you back on your feet. That is the whole basis; that is all I had to say. Thank you for your time.

Mr. BURTON. Thank you, Cassandra. That was very interesting.
[The prepared statement of Ms. Tucker follows:]

CASSANDRA TUCKER

My name is Cassandra Tucker, I am currently employed as the project coordinator for Central Overhead Door – a job I got through W-2.

As a mother of six children who was out of a job a year ago, it would have been hard for me to imagine doing what I'm doing today. But the support I received from YW Works and the experience I have gained opened my eyes and became a new starting point in my life.

After my testing and initial training, the first job I was assigned to was a remodeling project. That project gave me a lot of experience in a little bit of everything – from painting and laying tile to wood finishing and insulation. It was hard work, but for me, it was a labor of love. For the first time, I experienced total freedom. I felt challenged and uplifted all at once.

Some aspects of W-2 are positive, some negative. But it's the people that you meet along the way that determine the positive or negative. Ms. Kukla has been very supportive. She's given me a great deal of responsibility and encouragement.

You can have all the drive you want and a strong will to succeed, but it's the people along the way that really make it or break it for you.

God helped me to turn to YW Works and that aspect was very positive and I got my goals accomplished. They didn't put any stigmas, they accepted me as an individual.

What is needed is more basic education and training. They need that high school diploma that everybody's saying "it doesn't matter." It does matter. If they have that they can say "well, I may not be what I want to be but I've done something." It's an achievement. Getting a high school education is a plus, it makes people feel worthwhile.

I'm currently enrolled in a training program at Milwaukee Area Technical College. Even though it's tough to make time with six children at home. I'm looking at obtaining a certificate, and that's a goal, that's one of my goals.

Child care is another big issue. I'm the mother of six children -- five of them were sick last week, so I had to be off work last week, and the day care could not

accept them until they're well. The days I missed are days I don't get paid. You don't know that your child's going to be sick and you can't send him to daycare because daycare is not accepting him. So therefore they need to do something with that.

There's a perception out there that people on W-2 are lazy and don't want to work. Well, I'm out to prove those people wrong – every day. Given the right skills, good training and positive reinforcement, people can improve their lives for themselves and their families. But it takes the right kind of encouragement and reinforcement. Laws and regulations should create options, not roadblocks, for people like me.

Thank you.

Mr. BURTON. I want to pursue some questions with you, but in fairness to the other witnesses we will continue with Ms. Kukla.

Ms. KUKLA. Good afternoon. I run a small business located in central Milwaukee which provides customized garage overhead doors installation for commercial and residential applications. Our experience with W-2 was born out of a need.

We had received a large contract and required additional personnel to meet the job-site requirements. We took a stab of contacting the YW Works to help us find workers. Our experience has been very positive. We have found that workers' attendance is good. Their performance is good or better than regular employees, and they have more buy-in. They feel they have been given an opportunity they might not normally have gotten, and their attitude reflects that.

Employees such as Cassandra come to work and do a job. It is hard to find in today's market people that want to work, and they are eager to better themselves. Women such as Cassandra are also having a positive impact in the workplace. They are entering in nontraditional jobs such as construction and changing attitudes about career paths for women.

What makes the system work is individual one-to-one relationships whenever possible. I have tried to provide personal and job-related guidance—from helping employees to proper transportation to child care to encouraging them to continue their education.

Both my late husband and I strongly felt an obligation to seek out young people who have not had all the advantages in their homes or education. It was also being my interest to mentor Cassandra and help her develop additional skills so that she can assume more responsibility within our company. So ours is a story of—success story, not just for women like Cassandra, but for our company and for me personally.

My message to other employers is that programs such as W-2 work and will make your business stronger. After all, if I can do it at my age, other businesses can and should take advantage of it.

I want to tell you that for our experience, Cassandra—I start our people—our W-2 people at \$8 an hour. We have Cassandra take some under her wing because we have trained her for that and scrutinize the ones that are good. The ones that are not working, she lets them go. And we do prevailing wage jobs. They are eager to go because they get the prevailing wage.

The prevailing wage in Wisconsin runs anywhere, we are doing carpenter work, they run about \$20, \$22 an hour for laborers or helpers, or trainees it runs about \$18. And we have a lot of that, and they are eager to perform. And we have been told on jobs there were never any minorities working. We have opened the doors for them. And we have gotten such a response that they recommend us for jobs.

And I am very happy to be here to talk about this W-2 because I have seen it work. And I would hope that it would be used throughout the country. It is like Cassandra says, they need a responsibility, they need to be known that they are going to grow in their business and that they are going to have positions that will be able to grow. If they don't want to, say, stay with that company

they can go some place else and they have got experience and they have a record of good work. Thank you for the opportunity to come before you.

Mr. RYAN. Thank you for your testimony.

[The prepared statement of Ms. Kukla follows:]

TESTIMONY BEFORE HOUSE GOVERNMENT REFORM COMMITTEE

**Submitted By
Genevieve Kukla, President
Central Overhead Door Company
Milwaukee, Wisconsin**

April 22, 1999

Good afternoon. I run a small business located in the Central City of Milwaukee which provides customized garage door installations for commercial and residential applications.

Our experience with W-2 was borne out of a need. We had received a large contract and required additional personnel to meet the job site requirements. We took the step of contacting YW Works to help us find workers.

Our experience has been very positive. We have found that workers' attendance is good, their performance is as good or better than regular employees. And they have more buy-in. They feel they have been given an opportunity they might not normally have gotten – and their attitude reflects that. Employees such as Cassandra come to work and do a job. It's hard to find that in today's job market. They want to work and they are eager to better themselves.

Women such as Cassandra are also having a positive impact at the workplace. They are entering non-traditional jobs such as construction and changing attitudes about career paths for women.

What makes this system work is individual one-to-one relationships. Whenever possible, I have tried to provide personal and job-related guidance – from helping employees get proper transportation to child care to encouraging them to continue their education.

Both my late husband and I strongly felt an obligation to seek out young people who may not have all the advantages in their homes or

educations. It has also been my interest to mentor Cassandra and help her develop additional skills so that she can assume more responsibility within our company.

So, ours is a success story – not just for women like Cassandra, but for our company and me personally. My message to other employers is that programs such as W-2 work and will make your business stronger. After all, if I can do this at my age, other businesses can and should take a chance as well.

Thank you. I am humbled to be invited to come before you today. Please continue to allow states to have the freedom to experiment. Because W-2 does work and it can change lives. I've seen it happen. I hope my experience can be duplicated in other areas around the country.

I've read that you make your dreams come true – that's what I've done, Cassandra has done and others can do. Thank you.

Mr. RYAN. Mr. Primus.

Mr. PRIMUS. Mr. Chairman, I very much appreciate your invitation to testify on the impact of welfare reform on low-income families.

Under the welfare legislation enacted in 1966, States currently are receiving considerably more Federal funding than they would have under prior law and are given more flexibility and how to spend those moneys. The conventional wisdom is that welfare reform is working because welfare caseloads have declined sharply. Caseload reduction, however, is a very poor measure of welfare success. Any assessment of the success of welfare reform law should take into account not only caseload declines but also evidence of whether welfare reform has improved the economic circumstances of poor, single-mother families.

Improvements in the well-being of poor, single-mother families can only take place if increased earnings and increased child support collections are sufficient to replace lost benefits of cash assistance and food stamps.

Preliminary data to answer this question are just becoming available on a national basis. These data suggest just that while welfare reform has undoubtedly improved the lives of some families, some other families are losing ground and appear to have been made worse off as a result of changes in the welfare system.

Our study uses the public census files; and, using standard techniques, we have concentrated on single-mother families and have arrayed them from low- to high-income, adjusted for family size, and then compared economic circumstances of those families in 1993, 1995, and 1997.

Our study shows two kinds of major findings. First, program caseloads are falling much more rapidly than need. As you can see in the chart, between 1993 and 1995, the number of people receiving AFDC and food stamps began a gradual decline. And the economy largely explains that decline. The number of poor people declined about as much as the decline in the caseload.

However, between 1995 and 1997, the situation changed dramatically. Caseload declines can no longer be explained primarily by changes in the economy. As you can see here, the number of people receiving food stamps declined about 17 percent while the number of poor individuals declined only 2 percent.

The next figure shows exactly the same thing with respect to TANF. Between 1995 and 1997, the number of poor individuals in female-headed families declined by 4 percent, but the caseloads declined 22 percent. A fivefold difference between an objective measure of need and what is happening to caseloads.

The most telling finding from this analysis are centered in the divergent income paths of the bottom two quintiles of persons in single-mother families between 1995 and 1997. Each quintile has about 5.7 million individuals in it, to give you some basis. So if you look at those numbers in the chart, it is also in your testimony on page 4, you can see that the picture was very good between 1993 and 1995. Families in that second quintile actually gained in after-tax real income \$2,000. About a 15 percent gain. There were also gains in the bottom decile and in the second decile, and you can look at those bottom numbers in terms of a percentage of poverty.

The situation though—and that is because earnings increased and they were only offset by a very small amount of welfare benefits declining. The situation changes dramatically between 1995 and 1997. The earnings gains that we saw in the earlier 2 years came to a halt, basically; and we see huge declines in the level of benefits these families receive.

So in the second quintile, you will see economic welfare has stayed about the same. In fact, improved a little bit. And even in the second decile, families are doing OK. But in that bottom decile, again about 2.8, 2.9 individuals about equal to 5 congressional districts, they have lost ground. About \$1,000 on average. And that is because earnings have remained roughly constant, and welfare benefits have declined significantly. There are many reasons for that.

And I guess in conclusion, I would argue that a healthy economy, policies that make work pay such as increased EITC and State welfare policies have provided the supports to move welfare recipients into jobs. A large portion of that research has shown is due to the increased EITC. However, other poor mothers have not fared as well. On average, the economic well-being of persons in the poorest single-mother families has decreased substantially. No one predicted such a result would occur during a period of strong economic growth and before any sizable number of welfare recipients reached their time limits.

This result is disturbing and should give us considerable pause before we simply pronounce welfare reform a success. I think these preliminary results need to be examined in light of more national data that will become available later this year as well as other efforts to evaluate the findings in several States. Hopefully, States can respond to this challenge and use their TANF block grant monies to improve the well-being of poor children in single-headed family households.

[The prepared statement of Mr. Primus follows:]



CENTER ON BUDGET AND POLICY PRIORITIES

TESTIMONY OF WENDELL PRIMUS
Director of Income Security, Center on Budget and Policy Priorities
before the Committee on Government Reform and Oversight
April 22, 1999

Mr. Chairman and Members of the Committee on Government Reform and Oversight:

I very much appreciate your invitation to testify on the impact of welfare reform on low-income families. My name is Wendell Primus and I am Director of Income Security at the Center on Budget and Policy Priorities. The Center is a nonpartisan, nonprofit policy organization that conducts research and analysis on a wide range of issues affecting low- and moderate-income families. We are primarily funded by foundations and receive no federal funding.

Introduction

Under the welfare legislation enacted in August, 1996, states currently are receiving considerably more federal funding than they would have under prior law and are given more flexibility on how to spend those monies. The conventional wisdom is welfare reform is working because welfare caseloads have declined sharply. Caseload reduction, however, is a very poor measure of the success of welfare reform. Any assessment of the success of the welfare reform law should take into account not only caseload declines, but also evidence of whether welfare reform has improved, or at minimum, held harmless the economic circumstances of poor single mother families. Improvements in the well-being of poor single mother families can only take place if increased labor force participation, earnings, and increased child support collection are sufficient to replace lost benefits of cash assistance and food stamps.

Preliminary data to answer this question are just becoming available on a national basis. These data suggest that while welfare reform has undoubtedly improved the lives of some families, some families are losing ground and appear to have been made worse off as a result of changes in the welfare system. From an analytic standpoint, it is difficult to isolate the impact of welfare reform from the impact of an improving economy, other policy interventions such as an increased earned income tax credit, and the expanded availability of health care coverage to children in low-income working families not receiving welfare assistance.

Over the past several years, two trends have influenced the economic well-being of the nation's poorest families. Strong economic growth, coupled with low

unemployment rates, have resulted in an increase in employment among families of almost all income levels, including the poor. At the same time, welfare reform efforts have led to a dramatic decrease in the number of families receiving public assistance. One effect of these two trends has been a modest decline in the number of people who are poor. The combined impact of the healthy economy and welfare reform has also served to create two different economic responses among poor single mother families. While some poor single mother families have been able to maintain or raise their income levels because of increased earnings and the expanded EITC, other poor single mother families' incomes have fallen substantially and they are now deeper in poverty than earlier in the decade.

We have used the Census Current Population Survey (CPS) data to examine trends in the economic well-being of mothers and children in single-parent families, with a particular focus on the poorest single mother families. We evaluated the economic well-being of these families over the four-year period from 1993 to 1997, a period of sustained economic growth and increasing employment. Specifically, we looked at how single-mother families fared from 1993 to 1995, a time when many states were implementing state welfare waivers, and compared that to the period from 1995 to 1997-- the year prior to and the year after the federal welfare bill was signed. It is during this time that state level reforms began taking effect on a larger scale and caseloads started to fall precipitously.

We sorted individuals in single-mother families on the basis of their family incomes which we adjusted for family size. We then divided them into five equal groups, or quintiles by income. To get a better understanding of what is happening among the poorest families, we also looked at the bottom two tenths, or deciles, separately. Each decile contains about 2.8 million individuals. We looked at trends in family income of these individuals (including all government assistance and federal and state taxes¹) over the two two-year periods. The basic findings of this analysis are:

- Participation in AFDC/TANF and food stamps has plummeted in recent years. While some level of decline is to be expected in a healthy economy, means-tested assistance caseloads have declined far more quickly than have the needs of the poor.
- The healthy economy and welfare reform have affected two groups of persons in poor single mother families in two distinct ways. One group has replaced welfare assistance with earnings and is as well or better off.

¹ Ideally, the analysis should also have taken out-of-pocket work expenses into account, particularly child care expenses. Unfortunately, these data are not available in the Census data. Because it does not net out work expenses, this analysis overstates the well-being of families to some extent.

The second, poorer group has been unable to do so and is economically worse off.

- Between 1993 and 1995, the earnings and incomes of the poorest fifth of single mother families increased despite a modest decline in income from welfare programs. Between 1995 and 1997, however, the very poorest single mother families faced a significant decline in their incomes after including all government taxes and transfers largely due to sizeable declines in their welfare assistance.
- Persons in the second income quintile of single mother families also had increased earnings and incomes between 1993 and 1995. Between 1995 and 1997, these single mother families were able to sustain their incomes despite the loss of welfare benefits, due to substantially increased earnings and increased income from an expanded EITC.
- At present, many states have unspent TANF funding which can be used to aid poor families with children. Persons in the very poorest single mother families should be helped with greater assistance until they are able to earn enough to reasonably support their families. Persons in the second quintile of single mother families would benefit from more generous work-based policies that help to bolster their incomes and reward their increased work effort, including increased reimbursement for work expenses such as child care and transportation.
- The unanticipated finding that some families actually lost ground between 1995 and 1997 – a period of strong economic growth and a time before any sizeable number of welfare recipients reached time limits – should make us very cautious about pronouncing welfare reform a success.

Background

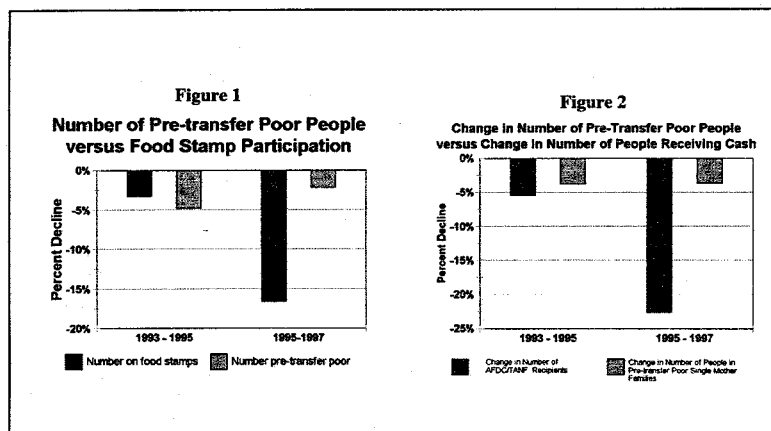
The Personal Responsibility and Work Opportunities Reconciliation Act of 1996, commonly referred to as the welfare reform law, transformed this nation's safety net programs for the poor. Among the major changes included under the welfare reform law were the termination of the federal entitlement to AFDC and its replacement with a capped block grant – Temporary Assistance to Needy Families (TANF), a federal time limit on cash assistance, and strict work requirements as a condition of assistance. The new law also substantially cut food stamp assistance and contained billions of dollars in reductions in benefits for legal immigrants. Due to further Congressional legislation in 1997, the impacts upon legal immigrant families have been mitigated to some extent.

Program Caseloads Falling More Rapidly Than Need

Between 1993 and 1995, the number of people receiving AFDC and food stamps began a gradual decline that could largely be explained by improving economic circumstances. Between 1993 and 1995, the number of people who received AFDC/TANF dropped 5.5 percent and food stamp caseloads fell 3.3 percent. These percentage declines are about the same as the declines in the number of poor children, before means-tested benefits are included.

However, between 1995 and 1997, the situation changed dramatically. Caseload declines no longer could be explained primarily by changes in the economy. As shown in Figure 1, between 1995 and 1997, the number of people receiving food stamps fell 16.6 percent while the number of pretransfer poor individuals remained statistically unchanged (declined 2.2 percent).

The decline in the number of people receiving cash assistance shows the same pattern (see Figure 2). Between 1995 and 1997, the number of people in poor female headed households (those typically eligible for cash assistance) fell 4.3 percent while the number receiving welfare benefits fell 22.6 percent — a five-fold difference. Caseloads in cash assistance programs are falling far faster than need. From 1997 through September 1998, the number of TANF recipients fell an additional 17.9 percent and the number of food stamp recipients fell another 11.6 percent.



Note: Pretransfer poor are the number of poor persons who are poor before counting any government assistance.

How Have Single-Mother Families Fared?

The change in the economic circumstances of persons in single-mother families over the past few years varied both by income level and time period. During both the 1993-1995 and the 1995-1997 periods, the country experienced strong economic growth. The earlier period, however, was much more favorable to individuals in low-income single mother families.

Table 1

Earnings and Income of Single Mother Families by Income Level					
(1997 dollars)					
	1993	1995	1997	Change 1993 - 1995	Change 1995 - 1997
Average Earnings					
Poorest Quintile	\$1,310	\$1,776	\$1,593	35.5%*	-10.3%*
Second Quintile	\$3,388	\$4,980	\$5,795	47.0%*	16.4%*
Third Quintile	\$10,273	\$13,867	\$13,567	35.0%*	-2.1%
Fourth Quintile	\$21,142	\$22,762	\$24,042	7.7%*	5.6%
Fifth Quintile	\$46,475	\$47,739	\$53,613	2.7%	12.3%*
Average Disposable Income					
Poorest Quintile	\$8,173	\$8,801	\$8,016	7.7%*	-8.9%*
Second Quintile	\$13,564	\$15,595	\$15,418	15.0%*	-1.1%
Third Quintile	\$18,206	\$20,624	\$20,482	13.3%*	-0.7%
Fourth Quintile	\$26,204	\$28,052	\$27,768	7.0%	-1.0%
Fifth Quintile	\$48,467	\$48,477	\$52,730	0.0%	8.8%*
*statistically significant, $\alpha = .1$					
Averages in the table are weighted by persons.					

Explanation of Table 1

Table 1 shows the average family earnings levels and average family incomes, including government benefits, of single mother families weighted by persons by income group for 1993, 1995, and 1997. Figures in the "Change" column with asterisks designate statistically significant differences between 1993, 1995 and 1997. Figures without asterisks indicate that no statistically significant differences between the two time periods were found. For example, in the poorest quintile, average disposable income was \$8,801 in 1995 and was \$8,016 in 1997. This represents a \$785 difference or a 16.3% decrease in total income. This difference is statistically significant. The earnings figures shown in the table represent average family earnings of over all single mother families, including single mother families with a worker and single mother families without a worker. The average earnings of families with a worker are higher.

Remember as you examine Table 1 above, that dividing persons in single mother families into fifths is substantially different than dividing the overall population into fifths. It is quite possible for families in the second and third quintiles to receive food stamps and other government assistance. EITC eligibility extends into the fourth quintile.

Between 1993 and 1995, the average family earnings and average disposable family incomes² of persons in the poorest three quintiles of single mother families experienced sizeable increases. During this same period, the fifth quintile of individuals in single mother families experienced no change in average family earnings or average disposable family income.

Between 1995 and 1997 — a period of similarly strong economic growth — the average disposable family incomes of the middle three income quintiles of persons in single mother families remained statistically unchanged, largely because increases in earnings and the EITC were offset by declines in other government assistance. However, the average disposable income of persons in the poorest *fifth* of persons in single mother families fell considerably (See Table 1). The average disposable family income of persons in the poorest *tenth* of single mother families dropped even more sharply. These trends were primarily the result of significant drops in the receipt of means-tested transfers between 1995 and 1997.

The average earnings and incomes of the middle fifth of persons in single mother families also remained statistically unchanged between 1995 and 1997. While this income group did experience drops in income from TANF and food stamps, the increased income support from the EITC made up for much of this loss.

The average earnings of the second lowest income quintile of persons in single mother families increased 16.5 percent between 1995 and 1997, rising from \$4,980 to \$5,795. But the overall average disposable income of this group remain unchanged. The loss of cash assistance and food stamps offsets all of the increase in earnings and the EITC.

The outcomes for the poorest fifth of single mother families were quite different. Unlike all other income groups, the economic circumstances of the very poorest single mother families declined considerably between 1995 and 1997. The average disposable income of these families fell by 8.9 percent during this period. The small loss in earnings of \$183 was partially offset by an EITC increase of \$88. The substantial loss in income from cash assistance and food stamps is the primary reason average income fell by \$785.

² This definition of income includes earnings, social insurance, means-tested cash benefits, the cash value of means-tested in-kind benefits, federal taxes and the EITC.

The Two Bottom Quintiles

The most telling findings from this analysis are centered in the divergent income paths of the bottom two quintiles of persons in single mother families between 1995 and 1997. Both of these quintiles are on average, below the poverty line and likely to experience some periods when they are eligible for cash assistance or food stamps. Between 1993 and 1995, individuals in both of these quintiles experienced sizeable growth in average disposable family income. The economic well-being of the second poorest quintile of persons in single mother families remained unchanged between 1995 and 1997, failing to improve despite economic growth. Those in the poorest quintile experienced a marked decline in average family disposable income during the 1995-1997 period.

EARNINGS

In a strong economy, unemployment falls, and one would expect average earnings to increase. For the first few years of the economic recovery, this is what happened throughout the entire earnings distribution of single mother families. In more recent years, however, continued economic growth has not had the expected impact on the average family earnings of single-mother families.

- Between 1993 and 1995, the percentage of persons in single mother families with a worker increased substantially for all but the poorest 10 percent of persons in single mother families, as shown in Table 2. In other words, employment increased. In 1993, some 51.3 percent of persons in the second *quintile* of persons in single-mother families lived in families with a worker; in 1995, 61.9 percent did.
- Slightly over 40 percent of persons in the second *decile* of persons in single mother families lived in families with a worker in 1993; 51.5 percent did in 1995.
- Among these in the poorest decile of persons in single mother families, there was no change between 1993 and 1995 in the percentage living in families with a worker.

A second measure to examine is the change in average earnings for low-income single mother families. Among all income groups in the bottom two quintiles, average earnings increased significantly between 1993 and 1995 (see Table 2).

But between 1995 and 1997, the pattern changed. During this period, average family earnings continued to grow for the second quintile but fell for the bottom quintile. Between 1995 and 1997, the next-to-the-bottom *decile* experienced a statistically significant decline in average family earnings of almost 12 percent. There was no statistically significant change in the average family earnings of the bottom decile of persons in single mother families.

Table 2

Average Earnings of Single Mother Families					
	1993	1995	1997	1993 - 1995	1995 - 1997
<i>Percent with earnings</i>					
Second Quintile	51.3%	61.9%	72.0%	20.5% *	16.4% *
Second Decile	41.1%	51.5%	54.6%	24.4% *	6.9%
Bottom Decile	39.3%	37.6%	43.3%	-4.2%	14.9% *
<i>Average earnings 1997 dollars</i>					
Second Quintile	\$3,388	\$4,980	\$5,795	47.0% *	16.4% *
Second Decile	\$1,742	\$2,564	\$2,265	47.2% *	-11.7% *
Bottom Decile	\$878	\$992	\$918	12.9% *	-7.4%
1997 dollars *statistically significant, $\alpha = .1$					
Averages in the table are weighted by persons.					

INCOME FROM THE MAJOR MEANS-TESTED PROGRAMS

Table 3 illustrates what has happened to the average amount of government assistance received by low-income single mother families. The average amount of assistance -- the sum of food stamps, AFDC/TANF benefits, Supplemental Security Income and housing -- changed only slightly between 1993 and 1995. And in fact, in the bottom decile, the level of assistance actually increased significantly. (One should note that families in the second decile, despite having slightly more earnings, receive substantially more government assistance than families in the poorest decile. This is largely because AFDC/TANF benefits vary significantly among the states. A substantial share of those in the bottom decile are families in states with the most limited safety nets.)

Here too, the pattern changed between 1995 and 1997. The average amount of government assistance declined significantly during this time for families in both the second quintile and the bottom decile. The average amount of assistance fell approximately 30 percent among both groups. However, this loss of benefits occurred for different reasons. Families in the second quintile appear to have lost benefits in part because significant earnings gains made them ineligible for assistance. Families in the bottom decile had lower benefits not because of earnings gains (there were actually declines in average earnings among this group-- see table 2), but simply because they were no longer receiving assistance or were receiving substantially less assistance.

Table 3

Average Income from all Means-Tested Government Transfers* - Persons in Single Mother Families					
	1993	1995	1997	1993 - 1995	1995 - 1997
<i>Average Income from all Means-Tested Government Benefits</i> 1997 dollars					
Second Quintile	7,666	7,342	5,578	-4.4%	-31.6%*
Second Decile	7,374	6,886	6,331	-7.1%	-8.8%
Bottom Decile	3,212	3,585	2,756	10.4%*	-30.1%*
1997 dollars + Includes AFDC/TANF, food stamps, SSI, and housing assistance *statistically significant, $\alpha = .1$					
Averages in the table are weighted by persons.					

AVERAGE DISPOSABLE INCOME

The total effect of changes in earnings and means-tested benefits on the family incomes of poor single mother families was mostly positive between 1993 and 1995. Between 1995 and 1997 the trend reversed, and these changes had a negative impact on the family incomes of poor persons in single mother families.

Between 1993 and 1995, the smaller losses in average family welfare benefits were largely mediated by increases in earnings and the EITC. As a result, the average disposable incomes of persons in the second quintile increased over the period. The average family income of persons in the bottom two deciles remained statistically unchanged as increases in earnings and the EITC largely made up for declines in benefits. Between 1995 and 1997, the economic status of persons in the bottom decile declined. The average incomes of families in the poorest decile fell by almost \$1,000, a statistically significant decline of 16.3 percent. Among those in the second quintile, average family disposable income remained unchanged despite sizable increases in earnings and the EITC.

Table 4

Average Disposable Income of Single Mother Families					
	1993	1995	1997	1993 - 1995	1995 - 1997
<i>Average Disposable Income</i> 1997 dollars					
Second Quintile	\$13,564	\$15,595	\$15,481	15.0%*	-1.1%
Second Decile	\$10,888	\$11,661	\$11,035	7.1%	-5.4%
Bottom Decile	\$5,454	\$5,956	\$4,982	9.2%	-16.3%*
<i>Ratio of Average Disposable</i> <i>Income to Poverty Threshold</i>					
Second Quintile	0.84	0.93	0.94	11.1%*	1.0%
Second Decile	0.62	0.67	0.66	8.3%	-2.4%
Bottom Decile	0.34	0.36	0.30	6.0%	-16.1%*
1997 dollars *statistically significant, $\alpha = .1$					
Averages in the table are weighted by persons.					

Why Are Caseloads Declining?

Reasons for the decline in cash assistance

The recent rapid declines in AFDC/TANF caseloads have occurred for several reasons. Among these reasons is the tight labor market of the mid-to-late 1990's. Some families have stopped receiving assistance because they have higher earnings that make them ineligible for assistance. However, as noted above, not all of the declines in welfare participation have resulted from increased earnings in this strong economy.

In many instances, caseloads have declined because of changes in state welfare policies or local welfare practices. States and localities that have implemented strong work supports have helped many former welfare recipients to move into jobs and have provided them with the supports to maintain those jobs.

Caseloads have also declined because most states have imposed new restrictions that limit eligibility for means-tested programs. New approaches to providing means-tested assistance have led to changes in administrative procedures that have resulted in many eligible persons not receiving assistance. In some states, welfare offices discourage prospective recipients from applying for assistance with various diversionary strategies. For example, a state might require applicants to complete a prescribed job search program before their applications are considered. Another strategy used by some states to restrict welfare receipt is to provide applicants with a one-time cash payment to get them through a short-term crisis if they agree not to apply for benefits. These and other practices have resulted in falling caseloads because of fewer new enrollees.

In some states, tough sanction policies for existing recipients have also contributed to caseload declines. In these states, large numbers of recipients have been removed from the program for non-compliance with program requirements. There also is evidence that miscommunication may contribute to declines in participation. For example, if new program rules are not explained clearly to recipients-- or adequate warnings of non-compliance with the new rules are not given-- clients may be sanctioned and removed from program participation. In addition, food stamp and Medicaid caseloads will fall if welfare offices do not inform recipients of their continued eligibility for other means-tested assistance programs when they leave TANF.

Thirty-two states are now in the process of tracking families that have left the TANF rolls. Studies have found that one-half to two-thirds of families that leave TANF rolls have earnings. Preliminary findings from these studies indicate that the jobs these women do obtain are on average, quite low paid and leave these families well below the poverty line.

The findings from these analyses reflect data obtained before many recipients had begun to reach the time limit for cash benefit receipt. As recipients do reach the time limits, poor families will probably be affected more adversely.

Reasons for the decline in Food Stamp program participation

Many poor families are eligible for more than one means-tested program. Prior to welfare reform, almost all families on AFDC also received Medicaid, and nearly 90 percent also received food stamps. Looked at in another way, half of all food stamp recipients also received AFDC. Research evidence indicates that the decline in AFDC/TANF caseloads may be driving down participation in other means-tested programs. In some cases, when families no longer receive cash assistance or are deterred from applying for cash assistance, they are unaware of, and may not be informed of, their continued eligibility for food stamps and/or Medicaid.

To the extent that state policies discourage participation in cash assistance programs, participation in the food stamp program often is affected. Administrative, procedural, and other barriers can make it harder for working families than non-working families to participate in the food stamp program and can discourage them from participating. According to a study conducted by Mathematica Policy Research, half of the decline in food stamp caseloads is a direct result of the reduction in AFDC/TANF participation.³ Findings from a welfare demonstration program in Indiana also show that recent welfare reforms are likely to lead to lower food stamp receipt. This study found that among families that stopped receiving cash assistance, many also stopped receiving food stamps even though they were still potentially eligible for benefits.⁴

There also is evidence that the drop in welfare caseloads has affected families receiving Medicaid. A recent study by Leighton Ku and Marilyn Ellwood found there was a significant decline in Medicaid participation between 1995 and 1996, and that the decline was largely driven by the drop in AFDC caseloads.⁵ They found that many recipients who lost their cash assistance or were deterred from applying for cash assistance were unaware their children were likely to be eligible for Medicaid and, in some cases, that they themselves were eligible for transitional Medicaid.

Conclusion

A healthy economy, policies that make-work-pay (such as the increased EITC), and state welfare policies that have provided the supports needed to move welfare recipients into jobs have helped to move single mothers into the labor force. Research has shown that a significant portion of the increase in labor supply among these families was due to the

³ Harold Beebout, "Fluctuation in Food Stamp Program Participation" Testimony Prepared for the United States Senate Committee on Agriculture, Nutrition, and Forestry, April 23, 1998.

⁴ Chris Hamilton, "What Makes Caseloads Grow or Shrink in the Food Stamp Program?" Testimony Prepared for the United States Senate Committee on Agriculture, Nutrition, and Forestry, April 23, 1998.

⁵ Leighton Ku and Marilyn Ellwood "Welfare and Immigration Reforms: Unintended Side Effects For Medicaid" *Health Affairs* May/June 1998.

increased EITC.⁶ Some states have developed innovative programs and have used their increased state flexibility to assist families in becoming more self-sufficient.

However, other poor single mother families have not fared as well. On average, the economic well-being of persons in the poorest single mother families has decreased substantially. No one predicted such a result would occur during a period of strong economic growth and before any sizeable number of welfare recipients reached their time limits. This result is disturbing and should give us considerable pause before we simply pronounce welfare reform a success.

While caseloads are declining, because of the improved economic health of the nation, policies to reward work (such as the EITC expansion), and changes in welfare policy; most states continue to face significant challenges in reducing poverty and improving the well-being of children. Although many more low income and poor single mother families have a worker, their earnings are often insufficient to eliminate the need for some form of public assistance.

As states look forward, they should focus on developing strategies that not only help families leave welfare but also improve their economic well-being. The amount of federal TANF funding available to states substantially exceeds the amount states have committed to spending on their needy populations. These available funds create the opportunity for states to provide additional assistance to families that have been made economically worse off as a result of certain welfare changes and to provide additional supports for poor families making the difficult transition into the paid labor force and raising their children on wages that leave them far below the poverty line. For example, states can use the flexibility they now enjoy to serve both custodial and non-custodial parents with training, work supports, and other services. They can increase economic incentives to pay child support by disregarding larger portions of the child support collected on behalf of low-income custodial families. They even can subsidize those payments.

These preliminary results need to be examined in light of more national data that will become available later this year as well as other efforts to evaluate these findings in several states. Chairwoman Nancy Johnson has urged states to spend their TANF surpluses. Some states already are taking such steps. Hopefully, states can respond to this challenge and use their TANF block grant monies wisely to improve the well-being of more children in poor single-headed family households.

⁶ Bruce D. Meyer and Dan T. Rosenbaum, "Welfare, The Earned Income Tax Credit, and the Labor Supply of Single Mothers," March 7, 1998.

Mr. RYAN. Let me just ask you a question, since you just finished. Is it your opinion, given the totality of the results, given the testimony here by Cassandra and Ms. Taylor and others, that with hindsight being close to 20/20 as possible, do you believe the welfare reform law was a prudent law to be passed that the President signed into law? Given the fact that we don't have the statistics yet available to help us target the resources as well as we would like to, and that we might in the future, do you think it is a good idea that we passed the welfare reform law?

Mr. PRIMUS. Well, as an economist, I am going to say yes and no. I think the increased funding that is available to the States was a good thing. I think the States did need more flexibility. And there were a lot of work requirements, and I believe in work. In fact, I believe in it so much that I am going around to States and arguing that our child support system has to also be more focused on moving men, the men look very much like the mothers here into the labor force. So there are some good aspects.

Mr. RYAN. So the premise and the principles—you pretty much revealed the main principles of welfare reform.

Mr. PRIMUS. But I do think that the downside of this is that there is no emphasis on moving families out of poverty. And there is no incentives to serve low-income families with children. And so when I look at incentives in the block grant, and the pressures that State legislatures and decisionmakers are under, we see welfare declining much more rapidly.

And I think we should be concerned about that \$1,000 loss of income in the very poorest single-mother families. And that is why I think the test of welfare reform is does it make children better off? And this is preliminary data. We need a lot more data before we can reach a final conclusion.

Mr. RYAN. Thank you. And I think Governor Thompson highlighted that very point. We have 8,800 people left on W-2 assistance. It is going to take some work. And it is going to take many more dollars to rescue those people, to get them on to self-sufficiency. So I think what you are saying essentially corroborates the point that we are now getting to the people who really need the assistance, who really need the help; and we have to figure out how to handle that.

Mr. PRIMUS. If I can say one other thing. I mean, I guess it is a little disconcerting to me when he said poverty decreased 14 percent, but caseloads have declined 85 percent. It seems to me that is somewhat out of balance, and we are all for poverty reduction, and indeed the studies that I have looked at coming out of Wisconsin suggest some people are better off. But there are a lot of people that don't have a job and are, indeed—I think the numbers that are in the one study is that 66 percent of people are worse off than the month before they left welfare reform.

So I think people should work, but some people are going to need support; and our goal should be to help them climb the economic ladder and not take benefits away as they enter that work force.

Mr. RYAN. Thank you.

Cassandra, I just wanted to ask you a quick question. I found that was a very interesting point that you made about some of the people who are refusing to go to the job centers, to W-2 to seek

assistance because of pride. You say they are going to Catholic Charities or the soup kitchens because they don't like the stigma that is attached to getting help.

How do we get to those people? What would you say we do to try to get over that obstacle to give them the self-esteem, to show them that this is not welfare, this is not a bad thing, this is a program to help get you up and on your feet moving as you described. What do you think we should do?

Ms. TUCKER. From my opinion, if they need a high school diploma, some people need, like the gentleman said down there, basic education. How can you ask them to go into a job you know there is no room for progressing at all because they can't read nor write, but they can do the job function in that particular area. They need the basic education. They also need the job training.

Some people even need nurturing skills, like she said, counseling. It is deeper than what you see. I am just stating, you see a bunch of numbers; you don't see the people. And today I am just representing all the people, you know. I am on both sides so I understand. That is all I am saying.

Mr. RYAN. Thank you.

Mrs. Taylor, I wanted to ask you a question. With your extensive experience and putting together the welfare-to-work program—through your own personal experience, what do you see as the biggest obstacle for moving individuals from welfare to work and what do you think is the most important component of the W-2 program?

Ms. TAYLOR. I think one of the biggest issues is trying to get people to be upfront about all the issues in their lives especially with case managers. We have built in a lot of pieces in our program where we have people that are staying in touch with people and spend more than a half hour with them. But to establish that level of trust so people will be upfront about the issues going on. And then to wrap around the services.

When I was talking about the EAP and the behavioral health component, that has been critical for us for success in our program; and that is going to be one of the most critical things going forward. People need supports to get their life together to go to work and be successful.

Mr. RYAN. Mr. Mica.

Mr. MICA. I heard Mr. Primus say that we needed more data information on some of these specific cases; is that correct?

Mr. PRIMUS. Yes, I think that data will be forthcoming; and I am just cautioning before we judge it a complete success, we need to see what is happening to the economic well-being of these families.

Mr. MICA. Then I heard Mr. Poole from Florida saying that we are spending too much time and money on regulatory paperwork, data collection, for reporting requirements. Mr. Poole what do you think?

Mr. POOLE. Well, I think it all depends what we are collecting data on. I think the issues that maybe Mr. Primus is trying to figure out is what is happening at family level, not collecting data about who they are before they come on to welfare. And to our analysis is what is really happening at family level.

I agree with Mr. Primus, it is too soon to call it a success. We know that about 80 percent of our families in our study say they are better off, but we have 17 percent of our families saying that they are not. And the question is whose responsibility is it? We know it is individual responsibility to participate and to have those people denied themselves of their own responsibility rights or is it our failure to provide quality service?

And I think that is where we have to dig down—just as a company would have to dig down to figure out why customers are unsatisfied and not buying their product—we have got to figure out why are people who are poor and in poverty not buying the product of our service which is to help them get to self sufficiency.

Mr. MICA. Since the adoption of Federal welfare reform, what changes have you seen in reporting requirements, and what parts of that would you modify?

Mr. POOLE. I believe the initial rules there were 60 data elements that the Federal Government asked us to report on and it has now gone up to 232; 140 of them, I understand, represent something about the client. When you multiply that times how many people are on our welfare rolls and how many people come off and on, that is an awful lot of data collection. In our State we started off with 30 performance measurements. We are down to six. I think I will get down to a couple more after analysis of what is really important, and what is really important is the measurement of self sufficiency.

Mr. MICA. So you have gone from 30 to 6 and we have gone from—

Mr. POOLE. From 60 to 232.

Mr. MICA. So we are headed in the wrong direction.

Mr. POOLE. Just a tad.

Mr. MICA. Are there any other recommendations? We passed this thing, and I am sure it is not perfect. I am sure from the Federal level we can improve it. One thing you mentioned is data reporting and information that is required. If you had one, two, three, your top priorities for the Feds to change to help you improve what you are doing, what you would recommend, Mr. Poole?

Mr. POOLE. Maybe being flip but also straight forward, maybe tear up the regulation book and asking the States to be responsible for the money that you have given them and look at the results. And let the States be responsible. What you have told us in our communities is that when the communities in our State look at it, they recognize that if they don't help someone to self-sufficiency in 2 years they are going to have to take 100 percent of the burden because you are going to stop the funding for that individual. That is pretty strong responsibility. You don't need any regulation other than that.

Mr. MICA. Basically you would favor some block grant with minimal reports, and the reporting would be from the State to the Federal?

Mr. POOLE. Correct.

Mr. MICA. Any other majors?

Mr. POOLE. That would be major enough.

Mr. MICA. What do you think about that, Mr. Primus?

Mr. PRIMUS. I guess in terms of recommendations to this committee I want to agree with Governor Thompson. I think you shouldn't be reducing or rescinding or deferring the size of the block grant. I think that was a commitment you made, you ought to keep. I also want to compliment the Governor, I think one of the innovations he has done is passing through all of the child support. And you might want to consider ways of encouraging States to follow that example in Wisconsin.

I don't think you should followup on his recommendation to reduce the maintenance of effort. I think again, it was part of the deal. I think there are plenty of needs among low-income custodial families with children and needs of the father who we should be concentrating on as well. And so before you reduce the maintenance of effort, I think I would really make sure there is no need left. And I think that would be a hard thing to establish.

I think the reporting requirements were put in there by the majority, and I think they are good. And before you reduce them, I think you run the risk of not understanding what we are about in welfare reform. And so I urge caution. And I think the HHS has issued a good final rule and again, I just urge caution.

Mr. MICA. Thank you.

Mr. RYAN. Mrs. Biggert.

Mrs. BIGGERT. Thank you, Mr. Chairman. In Illinois, when we started to revise the welfare reform, we did an Illinois bill as well as then having the Federal reform, and the biggest problem that we had was the computer. And to start to solve a problem was to figure out what was happening before that, and to go to a one-stop shopping. And we discovered that with all of the different agencies that we had was that we were double-counting. Families were not listed as families, but everyone was given a number. And then if they were out of the process and came back, they were a new entry.

So this was the biggest thing that we had. And I wondered if some of you have had that problem, because it took an awful long time to find a computer system that was sufficient, really, to be able to put that data. We finally have a warehousing for the reform. But I would like to know what happened as far as computers.

Mr. ALLEN. I will be glad to try to address that. In Virginia, we still have a challenge with adapting the existing computer systems to try to accommodate not only going from 60 reporting requirements to 232, but all of the various programs trying to bring in the food stamp program, bringing child support enforcement on line, coordinating that with Medicaid, which is, in our State, a different agency. But having to coordinate those is not only a challenge in and of itself, but being pushed up against the Y2K issue as well. So you cannot make the changes that are going to be necessary to try to keep up with the paperwork that is being required from Washington.

So we continue to have ongoing challenges and struggles with our technology trying to keep up with the rules and regs that are being imposed upon the States to provide information to the Federal Government.

Mr. POOLE. I would say that we have had the similar problem of information. We have had a data collection system related to food stamps and referral before, and now we are trying to move to

a case management local-network system so different agencies and providers can talk to each other. And we are, at least, probably a good year away from having a decent system. And this is true, I think around the State in our research.

Mrs. BIGGERT. And then to Ms. Tucker, I think something that is very important is to go out and see what is happening. And in the Illinois general assembly, I spent a lot of time going throughout the State, particularly with the Department of Children and Family Services, to talk to the clients, to talk to food stamp foster parents, to talk to case works, et cetera, and I think that is very important.

And one of the things that we put in as far as the welfare reform was the training for the one-stop shopping so that the person that a client comes into see is that one person can make such a difference in how—the reaction, and the treatment there is by the training of the case manager. And so that is something that I think you bring up and is a very good point to be sure that they are well treated and that the State is very concerned about that first contact.

Ms. TAYLOR. If I could respond to the computer question. We have a State system called CARES that we use that basically was built as an eligibility system years ago. And we have developed a system ourselves that is a web-based software system known as GEMS that is actually a case management system that measures behavioral changes, changes in skill-building, we can input different test levels and track where people are at, and it is a much more user-friendly system as well. But it is something that we spent time developing, and we have actually been using it in other States at this time.

Mrs. BIGGERT. Thank you, thank you all.

Thank you, Mr. Chairman.

Mr. RYAN. Mr. Turner, we haven't heard from you yet, and I understand that you were one of the gentlemen responsible for putting together Wisconsin's W-2 program and that now are attempting to do the same in New York. New York City's caseload was probably greater than many States we have heard from yet today and in recent history here. What do you think of the concerns raised by Mr. Primus, as you have read some of his studies earlier and his testimony now? Given the fact that you have been through the Wisconsin experiment, and you are doing the same thing in New York.

Mr. TURNER. I am sorry he had to step out.

Mr. RYAN. He is still here.

Mr. TURNER. Good, I am happy about that. As it relates to poverty in the lower quintiles in those remarks, I would like to mention that the Congressional Budget Office looking at CPS data in a recent year showed that for nonmarried mothers, aged 18 to 44, with kids under 18, that is your hard-core welfare population, welfare-at-risk population, the percent of the labor force recently is about 59.5 percent. That is up from 49.2 percent only 2 years before. That is a social revolution. That is something that we have just never seen before.

Mr. RYAN. We have seen employment gains to the tune of 10 percentage points in that decile.

Mr. TURNER. No, that is a little bit of a different cut of the cat. This is all nonmarried women with children under 18, what portion of that group, rich and poor, are engaged in the labor force; 59.5 percent are. And it was 49.5 percent only 24 months before. You can't imagine any kind of social policy legislated from the Congress that could have had that impact other than what you did, combined with a strong economy.

So with that, combined with availability of the earned income tax credit which takes virtually anybody that works full-time at any wage out of poverty, I can only say there is not much more that I can think of that could be done by the Congress that could be more constructive than what we have already done. And I think, at this point, it is up to both the local governments running the programs and let us not forget the individuals who are moms with children, to take available positions and move up and out. I think that is the solution.

Mr. ALLEN. Mr. Ryan, if I may, because we have touched on this twice, I think it is important that we recognize what the purpose of welfare reform was. It was not to eradicate poverty. The purpose of welfare reform was to put those who were currently in poverty, who were participating in public assistance programs on the road to self sufficiency. And I think Ms. Tucker's testimony bears this out that only 17 percent of those who were in poverty actually participate in public assistance programs. So the vast majority of people that would qualify for being in poverty are not in any program whatsoever. And so we need to be very careful when we try to change the focus or the goal of welfare reform after the fact. It was not to eradicate poverty. Rather it was self-sufficiency. And I think that we shouldn't get away from that to recognize that, therefore, we can declare in many States welfare reform a success. But we do need to be very cautious as we move into the deeper caseloads and the more difficult to employ.

Mr. RYAN. Thank you. You mentioned in your testimony, Mr. Allen, that earlier estimates prior to welfare reform's implementation—I think Mr. Primus is one of those who estimated that we would see 1 million children thrown into poverty in welfare reform.

Mr. ALLEN. Absolutely.

Mr. RYAN. Could you just comment on that? I would think that he would probably redo his estimate now that we have some facts in front of us.

Mr. ALLEN. I can comment on Virginia, and I think that is nationally we have not seen the type of dramatic downshift or the dramatic outcomes of women and children being thrown into poverty. That just has not happened. Some have moved out much quicker, but many, and most, are actually above the poverty level. And that is what we need to be looking at, that we are on the road to success.

It will take time, indeed, for them to move from that minimum wage job into higher levels once they get additional training, education. We do need to provide those wraparound services to afford them that of transportation and health care. But at the same time we can't say that it has not been successful and that, I think, is what is very key to recognize. And we also need to coordinate the programs that are currently existing out there. We have children's

health insurance program which will also benefit this population greatly.

Mr. RYAN. Thank you. This has been a very interesting panel. What we have seen with this panel is a cross-section between the policy formulators, the policymakers, the policy receivers, and the doers who are on the front lines doing this. Mrs. Kukla, with your business on trying to implement welfare to work, seeing and hearing from you exactly what you go through to accomplish that.

Cassandra, to hear from you what it is that—the psychological change that you have experienced, I think as Governor Thompson said, it is a blossom. That is precisely what we were hoping to achieve with this. It is helpful to hear you share your story with us so that the policymakers here who are seated to your right and those of us who are trying to do a better job of bringing people into the lives of self-sufficiency. That helps us do our jobs better here. Thank you to everybody on this panel. I think it has been a very interesting panel. At this time I like to say this hearing is adjourned. Thank you.

[Whereupon, at 1:30 p.m., the committee was adjourned.]

